DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

FINANCIAL REPORT

JUNE 30, 2023

C O N T E N T S

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

OFFICERS, DIRECTORS, AND MANAGEMENT
For the Year Ended June 30, 2023

Board of Directors

Officers

Kimberly Van Der Hyde - Chairperson

Michael Mondul - Vice Chairperson

R. J. Weaver - Member-at-Large

Rufus Fuller, III - Member-at-Large

Lorrie Eanes - Secretary

Directors

Gayle Breakley

Arlene Burkhardt

Geary Davis

Carolyn Evans

Willie Fitzgerald

Rufus Fuller, III

Shelby Irving

Brent Shelton, Esq.

Deborah Stowe

Adrian Watlington

Management

Executive Director

James F. Bebeau, LPC

Director of Finance

Mary Beth Clement, CPA

Division Directors

Sandy Irby - Behavioral Health Services

Sara Craddock - Developmental Services

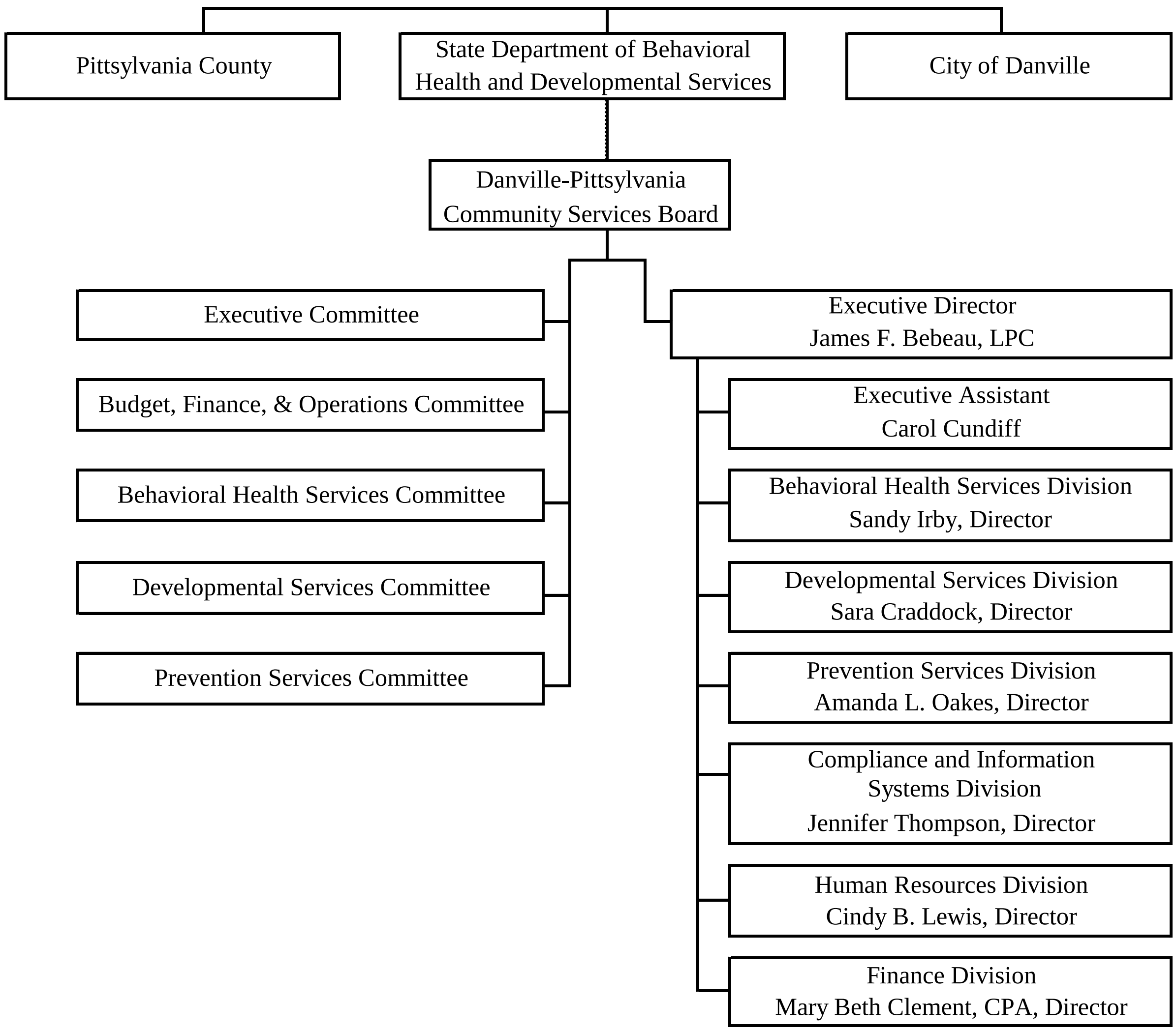
Amanda Oakes - Prevention Services Director

Cindy Lewis - Human Resources Director

Jennifer Thompson - Compliance and Information Systems Director

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

ORGANIZATIONAL CHART
For the Year Ended June 30, 2023



HHN&Co.

Harris, Harvey, Neal & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Danville-Pittsylvania Community Services
Danville, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Danville Pittsylvania Community Services, as of and for the year ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Danville Pittsylvania Community Services' 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 respective financial position of the business-type activities and the aggregate discretely presented component units of Danville Pittsylvania Community Services, as of June 30, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Danville Pittsylvania Community Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 Danville Pittsylvania Community Services' 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 Danville Pittsylvania Community Services' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4-16 and certain pension and group life insurance information on pages 54-58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Danville Pittsylvania Community Services' basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023 on our consideration of the Danville Pittsylvania Community Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Danville Pittsylvania Community Services' 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 Danville Pittsylvania Community Services' internal control over financial reporting and compliance.

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 15, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion and analysis of Danville-Pittsylvania Community Services' (Agency) financial performance provides an overview of the Agency's financial activities for the fiscal years ended June 30, 2023 (FY2023) and June 30, 2022 (FY2022). The Agency's financial statements are reported on the full accrual basis as required by Governmental Accounting Standards Board (GASB) 34. Due to the requirements of GASB Statements related to the determination of component units and 'The Financial Reporting Entity', the financial statements for Piney Ridge Apartments Corporation, Piney Ridge Apartments Corporation II, Ashlawn View, Inc. and Bellevue, Inc. are blended with the Agency. GASB requires organizations that are legally separate, tax-exempt entities and that meet all of the following criteria to be presented as component units. These criteria include (a) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, (b) the primary government has the ability to otherwise access a majority of the economic resources held by the separate organization, and (c) the economic resources received or held by an individual organization that the specific primary government has the ability to otherwise access are significant to that primary government. Each component unit agency is tax exempt under 501(c)(3) of the Internal Revenue Code. The Piney Ridge Apartments Corporations provide apartments and Ashlawn View, Inc. provides a group home to house individuals receiving services from the Agency. Bellevue, Inc. provides DPCS, as the sole tenant, fixed assets (land, buildings and improvements, and furniture and equipment) totaling $13,337,845 and $13,333,145 less accumulated depreciation of $4,417,789 and $4,075,165 for a net value of $8,920,056 and $9,257,980 at June 30, 2023 and June 30, 2022 respectively.

Management Discussion and Analysis for the Agency Only- Not Including GASB Statements 68 or 75 for Pension Amounts and Other Post Retirement Benefits (OPEB) for the Virginia Retirement System

Basic Financial Statements: The basic financial statements for the Agency consist of the Statement of Net Assets (Balance Sheet), Statement of Revenues, Expenses and Changes in Net Assets (Income Statement) and the Statement of Cash Flows. The following are condensed Financial Statements which present the changes in the accounts from FY2022 to FY2023 for analysis purposes:

Summary Statement of Net Position Comparison					
	FY2023	FY2022	Dollar Change	Percent Change	FY2021
Assets:					
Cash and cash equivalents	$ 14,958,020	$ 14,973,312	$ (15,292)	-0.10%	$ 13,396,411
Prepaid expenses	3,380,787	3,691,080	(310,293)	-8.41%	3,813,129
Fees receivable (net)	2,549,099	1,477,676	1,071,423	72.51%	1,150,162
Due from other governments	407,908	152,417	255,491	167.63%	163,814
Notes receivable- consumers	19,538	20,337	(799)	-3.93%	18,947
Rental deposits	7,500	10,325	(2,825)	-27.36%	10,325
Restricted cash held for consumers	365,979	194,030	171,949	88.62%	149,170
Equip., Land & Land Improvements (net)	5,137,621	3,159,392	1,978,229	62.61%	3,386,240
Liabilities:					
Accounts payable	$ 888,876	$ 527,631	$ 361,245	68.47%	$ 498,389
Accrued payroll & other liabilities	756,126	1,145,891	(389,765)	-34.01%	1,025,043
Consumer deposits	365,979	194,030	171,949	88.62%	149,170
Deferred revenue	4,392,036	5,153,702	(761,666)	-14.78%	4,665,626
Accrued leave	1,428,572	1,278,973	149,599	11.70%	1,319,132
Accrued postemployment health	580,058	557,132	22,926	4.12%	560,728
Net Position:					
Investments in fixed assets	$ 5,137,621	$ 3,159,392	$ 1,978,229	62.61%	$ 3,386,240
Unrestricted but designated	301,836	323,920	(22,084)	-6.82%	2,099
Unrestricted net position	12,975,348	11,337,898	1,637,450	14.44%	10,481,771

Danville-Pittsylvania Community Services
Management Discussion and Analysis
For the Years Ended June 30, 2023 and 2022

Summary Statement of Revenues, Expenses and Changes in Net Position Comparison					
	FY2023	FY2022	Dollar Change	Percent Change	FY2021
Operating Revenues:					
Net consumer services revenue	$ 14,075,047	$ 12,598,073	$ 1,476,974	11.72%	$ 10,838,409
Other revenue	256,081	331,717	(75,636)	-22.80%	435,989
Operating Expenses:					
Personnel	18,679,824	16,838,185	1,841,639	10.94%	16,254,098
Staff development	179,373	193,085	(13,712)	-7.10%	223,291
Facilities	2,157,706	2,125,671	32,035	1.51%	2,126,165
Supplies/equipment maintenance	1,058,318	951,739	106,579	11.20%	711,542
Travel	191,715	140,475	51,240	36.48%	60,377
Consultant/contract	2,443,181	1,900,398	542,783	28.56%	1,839,320
Depreciation	329,945	343,545	(13,600)	-3.96%	375,856
Bad debt expense	105,246	113,225	(7,979)	-7.05%	78,463
Miscellaneous	-	-	-	0.00%	1,205
Non-operating Revenues/(Expenses):					
Appropriations from State gov't	10,045,943	7,289,535	2,756,408	37.81%	7,114,958
Appropriations from Federal gov't	2,536,282	1,848,441	687,841	37.21%	1,924,087
Appropriations from Local sources	1,787,432	1,450,523	336,909	23.23%	1,330,508
Gain/(loss) on equipment disposal	-	-	-	0.00%	8,567
Interest income	38,117	39,135	(1,018)	-2.60%	81,175
Total Change in net position	$ 3,593,594	$ 951,101	$ 2,642,493	277.84%	$ 63,376

Summary Statement of Cash Flows Comparison					
	FY2023	FY2022	Dollar Change	Percent Change	FY2021
Cash Flows from Operating Activities:					
Cash received from client services	$ 12,900,682	$ 12,160,932	$ 739,750	6.08%	$ 10,954,964
Other unrestricted operating revenue	225,110	395,989	(170,879)	-43.15%	405,995
Cash payments for personnel	(19,095,458)	(17,042,513)	(2,052,945)	12.05%	(16,203,947)
Cash payments for supplies/other operating needs	(4,718,992)	(4,485,860)	(233,132)	5.20%	(4,507,122)
Cash Flows from Non-capital Financing Activities:					
Appropriations from State gov't	9,651,251	7,420,364	2,230,887	30.06%	8,366,207
Appropriations from Local gov't	1,344,150	1,040,128	304,022	29.23%	945,569
Appropriations from Federal gov't	1,948,021	2,156,044	(208,023)	-9.65%	2,086,486
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	(2,308,173)	(107,318)	(2,200,855)	2050.78%	(297,043)
Proceeds from sale of assets	-	-	-	0.00%	8,567
Cash Flows from Investing Activities:					
Interest Income	38,117	39,135	(1,018)	-2.60%	81,175
Net increase (decrease) in cash and cash equivalents	$ (15,292)	$ 1,576,901	$ (1,592,193)	-100.97%	$ 1,840,851

Financial Analysis

For the fiscal year ended June 30, 2023, the Agency reported total revenue of $28,738,902 and total expenses of $25,145,308 for a 'net income' of $3,593,594. For the fiscal year ended June 30, 2022, the Agency reported total revenue of $23,557,424 and total expenses of $22,606,323 for a 'net income' of $951,101.

During FY2023 net consumer services revenue experienced an overall increase of 11.72% amounting to $1,476,974 while cash received from client services increased 6.08% due to three main factors. The first factor creating the increased services revenue and cash flow was the change in license for the Assertive Community Treatment (ACT) program to a model billing a higher per unit rate. The second factor for increased revenue was the increase in Medicaid Waiver rates in the Developmental Services Division. The third factor includes the billing and cost settlement process for the three Intermediate Care Facilities (ICFs) in which two facilities increased the service revenue due to an increase in the number of bed days and units billed and a higher bed day rate. The cash flow received from services billed was less than the increase in revenue due to the ICF cost settlement process being performed too close to the end of the fiscal year to receive a total of $560,059 in the checking account. This amount was the combined total of the settlements of each of the three ICFs and was received after June 30, 2023; thus, this amount is a reason for the increase in the Fees Accounts Receivable on the Balance Sheet. Note 5 in the Notes to the Financial Statements details the revenue information by payor source. As shown in Note 6 in the Notes to the Financial Statements, the allowance for uncollectible accounts decreased from $221,839 in FY2022 to $190,020 in FY2023. The balance in the allowance for uncollectible accounts corresponds to the average of the balance of accounts receivable greater than 90 days old for the direct client payor source and the balance in the Virginia Department of Taxation debt set off payor source combined with the average amount of accounts receivables not expected to be collected based on historical data. The net effect of the actual write-offs in FY2023 and FY2022 with the adjustments to the allowance for doubtful accounts resulted in bad debt expense on the operating statement of $105,246 and $113,225, respectively. The Agency's Finance Division sends delinquency notices to consumers at 60 and 90 day past due intervals. After the final notice and continued non-payment, the account is transferred from the direct client payor source to debt set off if pertinent information has been obtained on the individual's account. If after two years of non-payment from a matching Virginia income tax refund in the debt set-off payor source, the charge is written off the books as an uncollectible account. Consumer accounts are reviewed and write-offs are done monthly; therefore, the amount of annual write-offs will vary depending on the age of the receivable. Other revenue decreased by $75,636 from FY2022 to FY2023 as shown on the operating statement. Other revenue consists mostly of local agency contracts and grants such as United Way, Community Foundation, etc. and will vary each year based on the grant awards and the timing of spending of the grant awards.

Appropriations from the federal government increased by $687,841 but cash flow from the federal government decreased by $208,023 due mostly to three factors. The first factor involved the implementation of a reimbursement model of funding by the Department of Behavioral Health and Developmental Services (DBHDS) in which the Agency must incur the federally funded expenses then request the appropriate federal grant revenue to cover the expenditures. Prior to this change in funding, DBHDS sent federal grant funds in each semi-monthly warrant. This resulted in $221,256 of these federal funds being recorded as a 'Due From Other Governments' on the Balance Sheet at June 30, 2023. The second factor included additional federal funds from DBHDS amounting to $434,194 in lieu of state STEP funding. The third factor was the utilization of federal deferred revenue in the amount of $533,535 from FY2022 federal funds received but unspent at June 30, 2022.

Appropriations from the state government increased $2,756,408 and on the cash flow statement this category increased by $2,230,887. These changes are due to the variability in the deferred revenue from unspent previous year state funds and for FY2023, the receipt of additional state funds totaling $888,758 mostly for the Crisis Services Center in the Behavioral Health Services Division to hire staff to fully implement Crisis Services and the 23 Hour Crisis Observation service. Per Note 14 of the Notes to the Financial Statements, state deferred revenue decreased from $4,443,427 at June 30, 2022 to $4,060,972 at June 30, 2023.

The significant changes to state funds including appropriations and deferred revenue were as follows:

- A total of $1,802,131 in unspent prior year state funds were used by the Agency in FY2023 as follows: (1) $437,155 used for regional related programs for Discharge Assistance (DAP) and Local Inpatient Purchase of Service (LIPOS)) with $154,957 of this amount being used by DPCS programs and the remaining amounts sent to the regional partner CSBs; (2) total of $1,037,895 of prior year Behavioral Health state funds to purchase the building and cover capital/one-time expenditures for the Crisis Services program to include $500,000 of prior year System Transformation Excellence and Performance (STEP) funding, $45,139 prior year CIT Assessment Site funding, $170,200 prior year Mental Health State General Funds, $322,556 prior year Substance Abuse State General funds; (3) $154,541 of various prior year unused state funds to cover the one-time bonuses to employees in a July 2022 payroll approved by the Board; (4) $77,012 of previous year state balances in the Behavioral Health Services Division (BHSD) for capital improvement items to include $16,651 for flooring at Harmony House and $60,361 in prior year ACT funds for vehicles; (5) $9,104 of previous years state balances for the Problem Gambling Prevention Program; (6) $4,834 of prior year state funds used to assist individuals with discharge needs to the community; (7) $80,000 of prior year STEP Ancillary funds used to cover a portion of the new file server purchased in FY2023; and (8) $1,589 of prior year CIT Assessment Site funding for training supplies.

- A total of $1,419,676 in FY2023 state funds were unspent at June 30, 2023 and therefore additions to deferred revenue: (1) $51,528 of State Developmental Services General Funds; (2) $36,595 of restricted state funds for the ACT program; (3) $484,590 in restricted state funds for the DPCS Permanent Supportive Housing (PSH) program; (4) $34,277 of restricted Mental Health state funds for the Problem Gambling Prevention program; (5) $20,865 of State STEP funds; (6) $23,167 of restricted State Substance Abuse Recovery Purchase of Service (SARPOS) funding; (7) $155,130 of State Substance Abuse General Funds; (8) $491,092 of State Mental Health General Funds; (9) $58,305 of restricted State Medication Assisted Treatment (MAT) funding and (10) $64,127 of combined restricted Discharge Assistance Program (DAP) funding and Local Inpatient Purchase of Service (LIPOS) for the regional programs for which DPCS is Fiscal Agent.

The remaining balance of deferred revenue from state funds in Note 14 totals $2,420,716 of state restricted funds in the Behavioral Health Services Division, $218,880 of state regional restricted funds and $1,700 of state restricted funds in the Developmental Services Division from years prior to FY2023. The deferred revenue from federal funds includes $38,125 Prevention funds and $252,595 Behavioral Health funds received in FY2022 and FY2023 but unspent at June 30. The Agency will utilize as much of these balances in future fiscal years as allowed by the funding source and program needs.

Overall, the Agency's total operating expenses increased from $22,606,323 in FY2022 to $25,145,308 in FY2023. Personnel expense includes both salaries and wages and fringe benefits for payroll taxes, health insurance, retirement, group life, disability and workers compensation insurance expenses. Personnel expense increased overall by 10.94% amounting to $1,841,639 and was attributable to various factors. The Agency first processed one-time bonuses in July 2022 to all staff due to the delay in budgetary action by the Virginia General Assembly and later increased all staff salaries by 5 percent effective September 10, 2022 upon receiving notice of funding and Medicaid rate adjustments for FY2023. The Agency also incurred $483,846 more in health insurance claims expense; however, these expenses were covered by the funds accumulated in the health insurance fund. Facilities expenses include rent, utilities, phone, internet services, facility supplies and maintenance items. This category increased slightly by $32,035 from FY2022 to FY2023. The increase in Supplies/equipment maintenance from FY2022 to FY2023 is due to the increased cost of necessary items such as groceries for the residential facilities. The increase in travel expenses is due to more conference related travel, gas prices and Agency vehicle repairs during FY2023. The Consultant/Contract category includes a variety of professional and nonprofessional contracted services. This category experienced significant increases as follows:

- Expenses for psychiatric and outpatient clinical services provided by Telehealth vendors increased $334,912 in FY2023 due to vacant clinical positions and start-up payments for the on-call psychiatric telehealth vendor for Crisis Services to implement the 23 hour observation service;

- Increase of $63,615 in Developmental Services State Crisis funding to cover the inpatient and other crisis services provided by vendors to five individuals approved by DBHDS for these services;

- Increase of $43,609 in psychiatric assessment and psychological services to individuals in the Developmental Services Case Management and ICF programs;

- Increase of $54,631 in expenses for individuals enrolled in the DAP and PSH programs for rents, utilities, transportation, placement, and other services;

- Increase of $20,899 in payments for off-duty officer coverage for the extended hours for the Crisis Intervention Team Assessment Center (CITAC) within the Crisis program.

- Increase of $22,752 in various grant related services in the Prevention Services Division for website design and maintenance, promotional campaign billboards and social media postings for events and fees for Mental Health First Aid Trainings to non-DPCS employees.

Per the Statement of Net Assets (balance sheet) in this analysis, Cash and cash equivalents includes the Agency's regular checking account, client loan fund account and certificates of deposit (CD). At June 30, 2023 the Agency's regular checking account balance was $6,034,801 as compared to $9,133,285 at June 30, 2022. Prepaid expenses decreased due to the amortization of deferred rent to Bellevue, Inc. during FY2023 and the electronic payment of insurance for professional liability, building, automobile and workers compensation during the first month, July 2022, of FY2023 rather than processing an accounts payable check in June of FY2022.

Fees receivable increased $1,071,423 in FY2023 due to the $560,059 in ICF cost settlement fees previously mentioned with the remainder of the increase from ICF billing for bed days for May being held awaiting the conclusion of each of the ICF cost settlements for FY2022 and the verification of the updated bed day rate to bill for each ICF for the remainder of FY2023. Restricted Cash Held for Consumers increased significantly during FY2023 as a result of the pandemic and the suspension by Medicaid of patient pay amounts combined with the increase in disability benefits for the individuals have resulted in much higher checking account balances. The Agency anticipates these balances to be spent down during FY2024 upon Medicaid's reinstatement of annual eligibility verification and the patient pay adjustments along with DBHDS providing information on qualifying items for spend down for these individuals such as burial accounts and trusts. Accounts payable results from regular expenses incurred by June 30 but not paid until the subsequent fiscal year and increased for FY2023 due to the amount payable for renovations to the new Crisis Services building and increased amounts payable for DAP to Piedmont and Southside CSBs at June 30. Accrued payroll and related liabilities represent those payroll and related expenses incurred during the last pay period of the fiscal year thru June 30 for which the expenses were not paid until July and decreased for FY2023 due to the timing of June 30th, and the pay periods and pay dates.

Overall in FY2023 the increase in net assets was $3,593,594 compared to $951,101 in FY2022 and the change in cash flow was $(15,292) compared to $1,576,901 in FY2022. These amounts are a reflection of the changes in deferred revenue, due from governments and fees receivable from FY2022 to FY2023.

Fixed Assets

Note 8 of the Notes to the Financial Statements presents the details of the Agency's property and equipment. Building and land improvements totaling $1,852,808 were purchased and included the following:

- $1,794,494 for 366 Piney Forest Road purchase and renovations;
- $16,651 for carpeting at Harmony House;
- $5,424 architect and engineering expenditures for the interior renovation projects at Keen and Middle Street locations;
- $36,239 for the retaining wall outside of the North Wing at Hairston Street.

New equipment totaling $357,108 was purchased and included a new server for $342,400, a stove at Harmony House and a heat pump at Bridge View Place. Furthermore, the Agency purchased four new vehicles at a cost of $98,257 and disposed of one vehicle for a decrease in Fixed Assets of $13,138.

Long-Term Debt

Long-term debt consists of accrued leave balances for vacation and sick leave for current staff and postemployment health insurance. During FY2014, DPCS expired the two leave policy plan which included accruals for vacation and sick leave separately and replaced these with one accrual for Paid Time Off (PTO). The accrued leave balances consist of PTO hours earned but unpaid at June 30 for all regular full-time and regular part-time staff and 25% of sick hours balance to a maximum of $6,000 for regular full-time and regular part-time staff employed at least 5 years as of June 30. The liability increased from $1,278,973 in FY2022 to $1,428,572 in FY2023. The portion of this liability related to the sick hours balance will either remain steady or decrease over time as no additional hours will accrue in this category. The liability for postemployment health insurance increased from $557,132 in FY2022 to $580,058 in FY2023.

This liability is due to Board policy allowing terminating staff with 20 years of service to use their remaining sick leave balance to cover health insurance premiums or to be reimbursed for other health insurance coverage after providing documentation to Finance of the coverage and cost amounts. This liability is calculated based on staff with 20 years or more of service at June 30 less the 25% payout of their unused sick leave hours accumulated times their pay rate at June 30. This postemployment health insurance balance will be used each month to cover the employee only premium of Agency sponsored health insurance or be used to cover the actual costs paid by the former employee for other health insurance coverage until the balance is exhausted or due to forfeiture of credits resulting from death or cancellation of insurance. The calculation of this liability is affected by the expiration of the accrual of sick leave separately and as a result will increase only when current employees reach the 20 year service level and have a balance of sick leave hours to use for postemployment health insurance coverage. The postemployment health insurance liability of $580,058 at June 30, 2023 includes nine 'retirees' and twenty-two current employees with 20 years of service.

Unrestricted but Designated Net Assets

The Agency has designated $301,836 of unrestricted net assets to pay for the postemployment health insurance liability. During FY2023, the Agency paid $22,083 for postemployment health insurance compared to $28,179 in FY2021.

Forecast for FY2024

In FY2024, the Agency will continue to use as much deferred revenue as possible and continue to implement any funding and grant program and coding changes as needed for appropriate accounting and collection of amounts due the Agency.

Management Discussion and Analysis for the Agency Only- Including GASB Statement 68 for Pension Amounts Related to the Virginia Retirement System (VRS) and GASB Statement 75 for Other Post Employment Benefits (OPEB) Related to Group Life Insurance thru VRS

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 which requires DPCS as a political subdivision and participant in the Virginia Retirement System to record and show on the audited financial statements amounts related to VRS retirement. GASB issued Statement No. 75, Other Post Employment Benefits (OPEB) which requires DPCS as a political subdivision and participant in the Group Life Insurance Plan thru VRS to record and show on the audited financial statements amounts related to VRS Group Life. DPCS is a participant in VRS as an Agent Multiple-Employer Plan and therefore has an 'account' with VRS. The following two tables represent the changes to DPCS's financial statements to show VRS amounts for pension/OPEB expense, net pension/OPEB liability and deferred inflows and outflows for each. These amounts were obtained from VRS and have been actuarially determined; however, they reflect amounts as of June 30, 2022 but are required to be presented in the FY2023 DPCS audited financial statements.

Summary Statement of Net Position Comparison				
	FY2023 without VRS	Change- VRS	FY2023 with VRS	FY2022 with VRS
Assets:				
Cash and cash equivalents	$ 14,958,020	$ -	$ 14,958,020	$ 14,973,312
Prepaid expenses	3,380,787	-	3,380,787	3,691,080
Fees receivable (net)	2,549,099	-	2,549,099	1,477,676
Due from other governments	407,908	-	407,908	152,417
Notes receivable- consumers	19,538	-	19,538	20,337
Rental & Escrow deposits	7,500	-	7,500	10,325
Restricted cash held for consumers	365,979	-	365,979	194,030
Equipment, Land & Improvements (net)	5,137,621	-	5,137,621	3,159,392
Net Pension Asset- VRS	-	4,834,225	4,834,225	6,874,129
Deferred Outflows of Resources- VRS (GASB 68)	-	3,348,576	3,348,576	2,017,531
Deferred Outflows of Resources- VRS (GASB 75)	-	156,083	156,083	189,036
Liabilities:				
Accounts payable	$ 888,876	$ -	$ 888,876	$527,631
Accrued payroll & other liabilities	756,126	-	756,126	1,145,891
Consumer deposits	365,979	-	365,979	194,030
Deferred revenue	4,392,036	-	4,392,036	5,153,702
Accrued leave	1,428,572	-	1,428,572	1,278,973
Accrued postemployment health	580,058	-	580,058	557,132
Net OPEB Pension Liability- VRS (GASB 75)	-	604,716	604,716	590,010
Deferred Inflows of Resources- VRS (GASB 68)	-	4,322,559	4,322,559	5,653,500
Deferred Inflows of Resources- VRS (GASB 75)	-	152,026	152,026	259,511
Net Position:				
Investments in fixed assets	$ 5,137,621	$ -	$ 5,137,621	$ 3,159,392
Unrestricted but designated	301,836	-	301,836	323,920
Unrestricted net position	12,975,348	-	12,975,348	11,337,898
Restricted net position- VRS (GASB 68 & 75)	-	3,259,583	3,259,583	2,577,675

Summary Statement of Revenues, Expenses and Changes in Net Position Comparison					
	FY2023- without VRS	Change- VRS	FY2023- with VRS	FY2022- without VRS	FY2022- with VRS
Operating Revenues:					
Net consumer services revenue	$ 14,075,047	$ -	$ 14,075,047	$12,598,073	$12,598,073
Other revenue	256,081	-	256,081	331,717	331,717
Operating Expenses:					
Personnel	18,679,824	(681,908)	17,997,916	16,838,185	15,836,907
Staff development	179,373	-	179,373	193,085	193,085
Facilities	2,157,706	-	2,157,706	2,125,671	2,125,671
Supplies/equipment maintenance	1,058,318	-	1,058,318	951,739	951,739
Travel	191,715	-	191,715	140,475	140,475
Consultant/contract	2,443,181	-	2,443,181	1,900,398	1,900,398
Depreciation	329,945	-	329,945	343,545	343,545
Bad debt expense	105,246	-	105,246	113,225	113,225
Miscellaneous	-	-	-	-	-
Appropriations from State gov't	10,045,943	-	10,045,943	7,289,535	7,289,535
Appropriations from Federal gov't	2,536,282	-	2,536,282	1,848,441	1,848,441
Appropriations from Local sources	1,787,432	-	1,787,432	1,450,523	1,450,523
Gain (loss) on sale of equipment	-	-	-	-	-
Interest income	38,117	-	38,117	39,135	39,135
Total Change in Net Position	$ 3,593,594	$ (681,908)	$ 4,275,502	$ 951,101	$ 1,952,379

For GASB 68: According to VRS, the Net Plan Assets for DPCS's account for retirement exceeded the Pension Liability; therefore, DPCS does not have a Net Pension Liability and instead has a Net Pension Asset of $4,834,225 as of June 30, 2022 to include in the FY2023 financial statements and a Net Pension Asset of $1,073,205 as of June 30, 2020 that was included in the FY2021 financial statements. The Deferred Outflows of Resources represent the VRS employer contributions and expense amount for FY2023 paid by DPCS to VRS based on the established 2.90 percent employer rate and the employee's monthly creditable compensation during FY2023. Per the Operating Statement above, $191,046 has been removed from the Personnel Expense category and replaced with the VRS actuarial Pension Expense amount of ($431,033) for a net change on the operating statement of ($622,079) for FY2023. The $4,322,562 and $5,653,500 for FY2023 and FY2022 shown as the Deferred Inflows of Resources is the VRS Actuarial determined amount as of June 30, 2022 and June 30, 2021 respectively to be the difference in the projected and actual earnings on plan investments.

For GASB 75: According to VRS, the Net Plan Assets for DPCS's account for group life insurance are less than the OPEB Liability; therefore, DPCS does have a Net OPEB Liability of $604,716 as of June 30, 2022 to include in the FY2023 financial statements. The Deferred Outflows of Resources represent the VRS employer and employee contributions and expense amount for FY2023 paid by DPCS to VRS based on the established employer rate and the employee's monthly creditable compensation during FY2023. Per the Operating Statement above, $21,201 has been recorded as the VRS actuarial OPEB expense. The $152,026 FY2023 shown as the Deferred Inflows of Resources is the VRS Actuarial determined amount as of June 30, 2022 to be the difference in the projected and actual earnings on plan investments.

Management Discussion and Analysis for the Piney Ridge Apartments Corporation I Only

Summary Statement of Net Position Comparison

	FY2023	FY2022	Dollar Change	FY2021
Assets:				
Cash and cash equivalents	$ 5,328	$ 922	$ 4,406	$ 1,033
Cash held in escrow	31,291	28,673	2,618	25,611
Rents receivable	-	-	-	16
Due from HUD	-	-	-	1,573
Notes receivable	-	-	-	-
Land, buildings & equipment, net	268,831	281,290	(12,459)	287,025
Liabilities:				
Accounts payable	$ 1,173	$ 1,193	$ (20)	$ 496
Tenant security deposits	872	871	1	870
Net Position:				
Investments in fixed assets	$ 268,831	$ 281,290	$ (12,459)	$ 287,025
Net Position in escrow accounts	30,419	27,802	2,617	24,741
Unrestricted Net Position	4,155	(271)	4,426	2,126

Summary Statement of Revenues, Expenses and Changes in Net Position Comparison

	FY2023	FY2022	Dollar Change	FY2021
Operating Revenues:				
Rent revenue, net	$ 23,400	$ 23,175	$ 225	$ 20,020
Operating Expenses:				
Facilities	12,019	11,822	197	16,028
Supplies	-	22	(22)	-
Legal and professional fees	1,600	1,600	-	1,375
Management fee	2,772	2,745	27	2,383
Depreciation expense	12,459	12,060	399	11,273
Payment to HUD for excess residual receipts	-	-	-	-
Non-operating Revenues/(Expenses):				
Interest income	37	3	34	4
Total Changes in Net Position	$ (5,413)	$ (5,071)	$ (342)	$ (11,035)

Piney Ridge residents pay monthly rents based on income/expense determinations and HUD pays a subsidy of the rent. Piney Ridge Apartments Corporation is responsible for facility related expenses. Residual Receipts are generated at fiscal year-end when the organization has a checking account balance higher than the amount of accounts payable and other current liabilities.

Management Discussion and Analysis for the Piney Ridge Apartments Corporation II Only

Summary Statement of Net Position Comparison				
	FY2023	FY2022	Dollar Change	FY2021
Assets:				
Cash and cash equivalents	$ 6,774	$ 8,317	$ (1,543)	$ 4,239
Cash held in escrow	33,741	40,090	(6,349)	37,811
Tenant rent receivable	4	63	(59)	-
Due from HUD	-	-	-	-
Prepaid Insurance	-	-	-	-
Land, buildings & equipment, net	647,949	670,679	(22,730)	691,219
Liabilities:				
Accounts payable	$ 4,804	$ 6,187	$ (1,383)	$ 4,199
Tenant security deposits	1,639	1,802	(163)	1,801
Net Position:				
Investments in fixed assets	$ 647,949	$ 670,679	$ (22,730)	$ 691,219
Net Position in escrow accounts	32,102	38,288	(6,186)	36,010
Unrestricted net position	1,974	2,193	(219)	40

Summary Statement of Revenues, Expenses and Changes in Net Position Comparison				
	FY2023	FY2022	Dollar Change	FY2021
Operating Revenues:				
Rent revenue, net	$ 37,707	$ 37,800	$ (93)	$ 36,258
Operating Expenses:				
Facilities	19,542	18,619	923	24,096
Supplies	218	22	196	-
Legal and professional fees	5,190	6,118	(928)	4,774
Management fee	4,119	4,130	(11)	3,964
Depreciation expense	25,360	25,023	337	23,783
Payment to HUD for excess residual receipts	12,449	-	12,449	-
Non-operating Revenues/(Expenses):				
Interest income	35	4	31	4
Total Changes in Net Position	$ (29,136)	$ (16,108)	$ (13,028)	$ (20,355)

Piney Ridge II residents pay monthly rents based on income/expense determinations and HUD pays a subsidy of the rent. Piney Ridge Apartments Corporation II is responsible for facility related expenses. Residual Receipts are generated at fiscal year-end when the organization has a checking account balance higher than the amount of accounts payable and other current liabilities.

Management Discussion and Analysis for Ashlawn View, Inc. Only

Summary Statement of Net Position Comparison				
			Dollar	
	FY2023	FY2022	Change	FY2021
Assets:				
Cash and cash equivalents	$ 3,712	$ 2,056	$ 1,656	$ 644
Cash held in escrow	15,760	13,633	2,127	20,724
Due from HUD	2,388	540	1,848	-
Unamortized organization costs	-	-	-	-
Land, buildings & equipment, net	456,401	472,622	(16,221)	480,067
Liabilities:				
Accounts payable	$ 4,608	$ 3,743	$ 865	$ 4,298
Tenant security deposits & other escrow liability	4,608	4,607	1	4,607
Net Position:				
Investments in fixed assets	$ 456,401	$ 472,622	$ (16,221)	$ 480,067
Net Position in escrow accounts	11,152	9,026	2,126	16,117
Unrestricted Net Position	1,492	(1,147)	2,639	(3,654)
Summary Statement of Revenues, Expenses and Changes in Net Position Comparison				
			Dollar	
	FY2023	FY2022	Change	FY2021
Operating Revenues:				
Rent revenue, net	$ 24,720	$ 24,540	$ 180	$ 18,562
Operating Expenses:				
Facilities	14,172	13,455	717	14,986
Legal and professional fees	5,788	6,893	(1,105)	4,027
Amortization expense	-	-	-	-
Depreciation expense	16,222	16,222	-	15,637
Non-operating Revenues/(Expenses):				
Interest income	5	1	4	4
Prior period adjustment	-	-		13,075
Total Changes in Net Position	$ (11,457)	$ (12,029)	$ 572	$ (3,009)

Ashlawn View, Inc. was organized in FY2011 as a 501(c)(3) corporation HUD project to build a waiver group home for individuals receiving services with an Intellectual Disability. Ashlawn residents pay monthly rents based on income/expense determinations and HUD pays a subsidy of the rent. Ashlawn View, Inc. is responsible for facility related expenses. The Agency pays for staffing and related expenses to operate the home.

Bellevue, Inc.

Bellevue, Inc. provides DPCS, as the sole tenant, fixed assets (land, buildings and improvements, and furniture and equipment) totaling $13,337,845 and $13,333,145 less accumulated depreciation of $4,417,789 and $4,075,165 for a net value of $8,920,056 and $9,257,980 at June 30, 2023 and June 30, 2022 respectively. The Agency leases five locations from Bellevue, Inc. The rents the Agency pays to Bellevue, Inc. are used to pay towards the outstanding loans as specified in the Notes to the Financial Statements. The amount of loans payable at June 30, 2023 and June 30, 2022 were $2,228,211 and $2,534,015 respectively.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, individuals receiving services and taxpayers with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the funds it receives. Questions concerning this report or requests for additional financial information should be made to Mary Beth Clement, C.P.A., Director of Finance, Danville-Pittsylvania Community Services, 245 Hairston Street, Danville, VA 24540 or phone at 434-799-0456, extension 3078 or email to mclement@dpcs.org.

BASIC FINANCIAL STATEMENTS

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

STATEMENTS OF NET POSITION
June 30, 2023 and 2022
See Independent Auditors' Report

	2023	2022
ASSETS		
Current assets:		
Unrestricted cash and cash equivalents	$ 15,033,865	$ 15,037,659
Prepaid expenses	19,369	133,873
Fees receivable (net of allowance for doubtful accounts)	2,549,103	1,477,739
Due from other governments and agencies	407,064	149,725
Notes receivable - consumers	19,538	20,337
Rental deposits	7,500	10,325
Restricted current assets:		
Cash held for consumers	365,979	194,030
Restricted cash - held in escrow	80,792	82,396
Total current assets	18,483,210	17,106,084
Capital assets:		
Equipment, buildings, land & improvements	24,921,724	22,619,359
Less accumulated depreciation	(9,490,866)	(8,777,395)
Total capital assets	15,430,858	13,841,964
Other assets:		
Net pension asset - Virginia Retirement System	4,834,225	6,874,129
Total other assets	4,834,225	6,874,129
Deferred outflows of resources:		
Pension and group life insurance	3,504,659	2,206,567
Total assets	$ 42,252,952	$ 40,028,744

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

STATEMENTS OF NET POSITION
June 30, 2023 and 2022
See Independent Auditors' Report

	2023	2022
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	$ 899,910	$ 538,754
Accrued payroll and other liabilities	756,126	1,145,891
Current portion of long-term debt	211,103	198,304
Deferred revenue	4,392,036	5,153,701
	6,259,175	7,036,650
Current liabilities payable from restricted assets:		
Consumer deposits	369,866	198,078
Total current liabilities	6,629,041	7,234,728
Long-term liabilities:		
Long-term debt non-current portion	2,017,108	2,335,711
Net group life insurance liability - VRS	604,716	590,010
Accrued postemployment health insurance	580,058	557,132
Accrued leave	1,428,572	1,278,973
Total long-term liabilities	4,630,454	4,761,826
Total liabilities	11,259,495	11,996,554
Deferred inflows of resources:		
Unamortized balance - VRS	4,474,588	5,913,011
Net position:		
Investment in capital assets, net of related debt	13,202,647	11,307,949
Restricted for cash held in escrow	73,673	75,116
VRS net position	3,259,577	2,577,675
Unrestricted but Designated for Postemployment Health Insurance	301,836	323,920
Unrestricted	9,681,136	7,834,519
Total net position	26,518,869	22,119,179
Total liabilities and net position	$ 42,252,952	$ 40,028,744

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

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2023 and 2022
See Independent Auditors' Report

	2023	2022
Operating revenues:		
Net services revenue	$ 14,160,874	$ 12,683,588
Other revenues	249,190	324,843
Total operating revenues	14,410,064	13,008,431
Operating expenses:		
Personnel	17,997,919	15,836,908
Staff development	179,373	193,085
Facilities	1,362,199	1,355,882
Supplies and equipment maintenance	1,058,536	951,783
Travel	191,715	140,475
Consultant/contract	2,474,783	1,921,003
Depreciation	726,610	739,374
Bad debt expense	105,246	113,225
Miscellaneous	1,039	366
Total operating expenses	24,097,420	21,252,101
Operating (loss)	(9,687,356)	(8,243,670)
Non-operating income (expense):		
Appropriations from government:		
State	10,045,943	7,289,535
Federal	2,536,282	1,848,441
Local	1,538,137	1,201,228
Interest income	38,194	39,144
Gain on sale of equipment	-	-
Interest expense	(71,508)	(80,536)
Total non-operating income	14,087,048	10,297,812
Total change in net position	4,399,692	2,054,142
Net position, beginning of year	22,119,177	20,065,037
Net position, end of year	$ 26,518,869	$ 22,119,179

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

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022
See Independent Auditors' Report

	2023	2022
Cash flows from operating activities:		
Cash received for services provided	$ 12,984,938	$ 12,126,483
Other unrestricted operating revenue	217,866	389,642
Cash payments for personnel	(19,095,458)	(17,042,513)
Cash payments for supplies and other operating needs	(4,398,751)	(4,065,620)
Cash payments for interest	(71,509)	(80,536)
Net cash (used in) operating activities	(10,362,914)	(8,672,544)
Cash flows from non-capital financing activities:		
Appropriations from the Commonwealth	9,651,252	7,420,364
Appropriations from local governments	1,344,150	1,040,128
Grants received from federal government	1,948,021	2,156,044
Net cash provided by non-capital financing activities	12,943,423	10,616,536
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(2,315,503)	(126,903)
Sale of fixed assets	-	-
Net cash (used in) capital and related financing activities	(2,315,503)	(126,903)
Cash flows from investing activities:		
Interest income	38,194	39,142
Escrow account activity	(1,190)	1,753
Loan payments	(305,804)	(296,776)
Net cash (used in) investing activities	(268,800)	(255,881)
Net increase (decrease) in cash and cash equivalents	(3,794)	1,561,208
Cash and cash equivalents:		
Beginning of year	15,037,659	13,476,451
End of year	$ 15,033,865	$ 15,037,659
Reconciliation of change in net position to net cash (used in) operations:		
Change in net position	$ 4,399,692	$ 2,054,142
Adjustments to reconcile change in net position to net cash (used in) operating activities:		
Depreciation and amortization	726,610	739,374
Deferred outflows and inflows and net asset/liability VRS	(681,905)	(1,001,278)
Non-capital financing activities	(13,175,532)	(10,655,680)
Changes in assets and liabilities:		
Prepaid expenses	114,504	(73,740)
Accounts receivable - various	(1,128,534)	(319,920)
Accounts payable	361,156	19,389
Accrued wages and benefits	(217,240)	77,093
Other accrued liabilities	(761,665)	488,076
Net cash (used in) operating activities	$ (10,362,914)	$ (8,672,544)

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

Note 1. Organization and Purpose

Danville-Pittsylvania Community Services ("Agency") was established in 1972 as an intergovernmental joint venture between the City of Danville and Pittsylvania County, Virginia. The Agency was established to provide public behavioral health, intellectual disability, and substance abuse treatment, and prevention services to the citizens of the City of Danville and Pittsylvania County, Virginia as provided for in Chapter 10 of Title 37.2 of the *Code of Virginia*, as amended. Pittsylvania County Board of Supervisors appoints eight of the fifteen members of the Agency's Board of Directors and Danville City Council appoints the remaining seven. The State agency with oversight responsibility for the programs conducted by the Agency is the Virginia Department of Behavioral Health and Developmental Services.

Note 2. Summary of Significant Accounting Policies

Financial reporting entity:

Most Community Service Boards of Virginia use the governmental reporting model for financial reporting. This entails reporting under the provisions of the Governmental Accounting Standards Board's (GASB) Statement 34, *Basic Financial Statements and Management Discussion and Analysis*. This statement establishes financial reporting requirements for state and local governmental entities of the United States. The Agency is not included as part of the financial statements of another primary government.

In defining the Agency as an appropriate reporting entity, related organizations were evaluated for possible inclusion using criteria established by the GASB. The criteria include the Agency's ability to influence designation of management, operations, accountability for fiscal matters, and scope of public service. Further, GASB established broader criteria to consider for determining if an affiliated organization should be considered a component unit. Entities that hold resources entirely or almost entirely for the direct benefit of the Agency, where the Agency has the ability to access a majority of those resources and those resources are significant to the Agency are also to be included as part of the reporting entity. Based on these criteria, the financial statements of the Agency include Bellevue, Inc., Piney Ridge Apartments Corporation I (Piney Ridge), Piney Ridge Apartments Corporation II (Piney Ridge II), and Ashlawn View, Inc. as component units. The assets, liabilities, net assets, revenues, and expenses for these four entities are blended with those of the Agency and reported as if it were a single entity.

Component units:

Bellevue, Inc. is a non-stock, non-profit corporation that is tax-exempt under Section 501(c)(3) of the *Internal Revenue Code*. The Board of Directors of Bellevue, Inc. is self-perpetuating and is independent from the Agency's Board of Directors. The Agency's administrative office complex plus three facilities for residential and day services for intellectually disabled individuals receiving services are owned by Bellevue, Inc. The Agency is the exclusive tenant of Bellevue, Inc.'s property (see Note 16 - Commitments), and the Agency's management handles all administrative responsibilities for Bellevue, Inc. In the prior year, the Board of Directors voted to change from a calendar year end to a fiscal year end of June 30.

Piney Ridge is a non-stock, non-profit organization, incorporated February 24, 1999 for the purpose of acquiring real estate to establish and operate a five-unit apartment complex for adults with serious behavioral health disabilities. The corporation is tax exempt under Section 501(c)(3) of the *Internal Revenue Code*. Operations as an apartment complex began during the year ended June 30, 2007.

Note 2. Summary of Significant Accounting Policies (Continued)

Component units (continued):

On November 17, 2006, Piney Ridge II was incorporated as a non-stock, non-profit corporation, organized to establish and operate phase II of the Piney Ridge apartment complex. As with the first phase, phase II, a nine-unit apartment complex, was constructed with funds from a U. S. Department of Housing and Urban Development Section 811 grant. The apartments are for adults with serious behavioral health disabilities and began operations in July 2010. The corporation is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

Ashlawn View, Inc. is a non-stock, non-profit organization, incorporated August 30, 2010 for the purpose of acquiring and providing housing facilities and services to promote the health and security of elderly and/or handicapped individuals, specifically a waiver group home for individuals with intellectual disabilities. The corporation is also tax exempt under Section 501(c)(3) of the Internal Revenue Code. The facility was opened for occupancy in April 2014.

The separate financial statements of Bellevue, Inc., Piney Ridge II, and Ashlawn View, Inc. may be obtained by writing to the Director of Finance, Danville-Pittsylvania Community Services, 245 Hairston Street, Danville, VA 24540.

Basis of presentation:

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with statements of the GASB and the Virginia Department of Behavioral Health and Developmental Services. The principles prescribed by the GASB are recognized to represent accounting principles generally accepted in the United States of America for governmental health care reporting entities. As such, the Agency recognizes revenues in the period when earned rather than when received in cash. Expenses are recognized when the underlying obligation is incurred rather than when paid.

The Agency applies all pronouncements of the GASB as well as those of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989 and do not contradict or conflict with the GASB pronouncements.

All significant intercompany transactions and accounts have been eliminated.

Budgets and budgetary accounting:

The Agency is divided into three program services areas: Behavioral Health Services, Developmental Services, and Prevention Services. Administrative functions are divided among three divisions: Compliance and Information Systems Division, Human Resources Division, and the Finance Division. Funds to support these programs as well as the related administrative costs are provided from the Commonwealth of Virginia, Federal and local agency grants, local governments, (City of Danville and Pittsylvania County), and fees for services.

The organization operates from a budget for each disability area. Formulation of the budget begins in May of each year upon receipt of a letter of notification of the expected level of funding from the Virginia Department of Behavioral Health and Developmental Services.

The annual budget is approved by the Board of Directors prior to the beginning of the fiscal year. Budgets are adjusted as dictated by funding changes.

Cash and cash equivalents:

For purposes of the cash flows statement, cash and cash equivalents are considered to include certificates of deposit and highly liquid depository accounts.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments:

Investments are stated at cost, which approximates market. Certificates of deposit and short-term repurchase agreements are reported as cash and cash equivalents.

Operating revenues and expenses:

Operating revenues are those revenues that are generated from the primary operations of the Agency. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Agency. All other expenses are reported as non-operating expenses.

Net services revenue:

Net consumer revenue is reported at the net realizable amounts from third party payers, clients, and others for services rendered. Medicaid and other third party payers account for the majority of these revenues with direct client payments representing a small portion of net services revenue.

Consumer deposits:

Some residents of the Agency's residential facilities are entitled to receive federal benefits such as social security. In many cases, the Agency has been named the designated payee for these benefits and separate bank accounts are maintained for the benefit of these individuals. The receipts and disbursements of these funds are not reported in these financial statements as they do not represent revenues or expenditures of the Agency.

Capital assets:

Capital assets are stated at cost and depreciated over their estimated useful lives using straight-line depreciation. The estimated useful lives of capital assets are as follows:

	Years
Furniture and equipment	5 - 15
Vehicles	5
Leasehold improvements	12
Buildings and Improvements	35 - 40

Client loan funds:

The Behavioral Health Division of the Agency maintains revolving loan funds, which are available to meet specific emergency or other needs of qualifying clients.

Pensions:

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's Retirement Plan and the additions to/deductions from the Agency's Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2. Summary of Significant Accounting Policies (Continued)

Group life insurance:

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Income tax:

The Agency is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is registered with the Commonwealth of Virginia as a non-profit organization. There is no unrelated business income which would be subject to taxation, and therefore there is no provision for income taxes.

Vacation and sick leave:

The Agency has an established policy regarding compensated absences (leave) for all regular employees. Compensated absences are recorded as an operating expense in the period earned rather than when paid. The Agency uses a single "Paid Time Off" (PTO) leave plan which replaced the previous separate vacation and sick leave plans. At January 1, 2014, the accumulated annual leave balances were transferred to the PTO plan as the starting balances in the new leave system. Sick leave balances at January 1, 2014 remain on the books and employees can use leave from this bank; however, no more hours accrue to sick leave. PTO is accrued based on years of service using January 1 as a cutoff date each year; PTO balances are not allowed to exceed certain maximum amounts based on years of service. Upon termination of employment, any unused PTO leave is paid and any unused sick leave for the employees with a minimum of five years of continuous employment is paid at 25% of the sick leave hours up to a maximum of $6,000, both calculated as hours times the employee's normal pay rate at the time of termination.

Postemployment health insurance:

To qualify for postemployment health insurance benefits, Agency employees must terminate with at least 20 years of continuous service. The remaining 75% of accumulated sick leave after converting 25% to a lump sum payout, as stated above, may be converted to health insurance credits which are available to pay the terminated employee's health insurance premiums.

The insurance credits allow the eligible former employee to continue participation in the Agency's health insurance plan after termination until the credits are exhausted. The credits are available to the former employee only and are forfeited upon the former employee's becoming ineligible to participate in the Agency's health insurance plan for any reason. The Agency has not funded the postemployment health insurance plan, and therefore benefits under this plan are paid

Note 2. Summary of Significant Accounting Policies (Continued)

Postemployment health insurance (continued):

directly by the Agency. No separate plan financial statements are issued. The following schedule shows the changes in the accrued postemployment health insurance liability for the past three years:

Year Ended	Beginning Liability Balance	Benefits Vested	Benefits Paid	Ending Liability Balance	Due Within One Year
June 30, 2023	$ 557,132	$ 44,635	$ 21,709	$ 580,058	$ 46,405
June 30, 2022	560,728	24,583	28,179	557,132	44,571
June 30, 2021	584,864	6,054	30,190	560,728	44,858

The plan remains 100% unfunded, but management has designated a portion of the Agency's unrestricted fund balance (see Note 10). Each year the plan has been in effect, 100% of the obligation for benefits earned under the plan as of year-end has been accrued. The plan does not issue a stand-alone financial report. The most recent actuarial valuation was performed for the year ended June 30, 2012 which showed an unfunded actuarial accrued liability of $298,900 on covered payroll of $8,029,800. (The recorded plan liability exceeds the actuarial accrued liability.)

Group hospitalization and life insurance:

All regular employees, including full-time and part-time regularly established positions are eligible to participate in the Agency's group hospitalization insurance program. The Agency contributes the cost of coverage for full-time employees in regular positions and a prorated contribution for eligible part-time employees. All full-time employees participate in the Virginia Retirement System Group Life Insurance Program with all premiums paid by the Agency.

Use of estimates:

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

Reclassifications:

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred outflow/inflow of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Agency only has two items that qualifies for reporting in this category. It is comprised of contributions to the pension plan and group life insurance made during the current year and subsequent to the net pension asset and net OPEB liability measurement date, which will be recognized as an increase in the net pension asset and a reduction of the net OPEB liability next fiscal year. For more detailed information on these items, reference the pension and OPEB notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has two types of items that qualify for reporting in this category. Certain items related to the measurement of the net pension asset and net OPEB liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

Net position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Net position flow assumption:

Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Accounts receivable:

Accounts receivable are stated at net realizable value. Receivables related to the provision of services are reported net of contractual allowances and an allowance for doubtful accounts. The Agency evaluates its accounts receivables using historical data and, in certain cases, specific account analysis.

Note 3. Cash and Investments

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) or 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 holding public deposits in excess of the amounts insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Statutes authorize the Agency 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).

Note 4. Condensed Financial Statements

The following condensed financial statements present the Agency and all its component units along with eliminations necessary to present them as a single reporting entity.

	Agency	Piney Ridge Apartments	Piney Ridge Apartments II	Ashlawn View	Bellevue	Eliminations	Blended
ASSETS							
Current assets:							
Unrestricted cash & cash equivalents	$ 14,958,020	$ 5,328	$ 6,774	$ 3,712	60,031	$ -	$ 15,033,865
Fees receivable (less allowance for doubtful accounts)	2,549,099	-	4	-	-	-	2,549,103
Due from other govts. & agencies	407,908	-	-	2,388	-	(3,232)	407,064
Other current assets	3,407,825	-	-	-	-	(3,361,418)	46,407
Restricted current assets	365,979	31,291	33,741	15,760	-	-	446,771
Total current assets	21,688,831	36,619	40,519	21,860	60,031	(3,364,650)	18,483,210
Capital assets:							
Equipment, buildings, land & improvements	9,555,911	466,855	953,691	607,422	13,337,845	-	24,921,724
Less accumulated depreciation	(4,418,290)	(198,024)	(305,742)	(151,021)	(4,417,789)	-	(9,490,866)
Total capital assets	5,137,621	268,831	647,949	456,401	8,920,056	-	15,430,858
Net Pension Asset - VRS	4,834,225	-	-	-	-	-	4,834,225
Deferred Outflows of Resources-VRS	3,504,659	-	-	-	-	-	3,504,659
Total assets	$ 35,165,336	$ 305,450	$ 688,468	$ 478,261	$ 8,980,087	$ (3,364,650)	$ 42,252,952
LIABILITIES AND NET POSITION							
Current liabilities:							
Accounts payable	$ 888,876	$ 1,173	$ 4,804	$ 4,608	$ 449	$ -	$ 899,910
Accrued payroll and other liabilities	756,126	-	-	-		-	756,126
Current portion of long-term debt	-	-	-	-	211,103	-	211,103
Deferred revenue	4,392,036	-	-	-	195,750	(195,750)	4,392,036
Restricted assets - consumer deposits	365,979	872	1,639	4,608	-	(3,232)	369,866
Total current liabilities	6,403,017	2,045	6,443	9,216	407,302	(198,982)	6,629,041
Long-term liabilities:							
Long-term debt non-current portion	-	-	-	-	2,017,108	-	2,017,108
Deferred revenue	-	-	-	-	3,165,668	(3,165,668)	-
Net group life insurance liability - VRS	604,716	-	-	-		-	604,716
Accrued postemployment health ins.	580,058	-	-	-		-	580,058
Accrued leave	1,428,572	-	-	-		-	1,428,572
Total long-term liabilities	2,613,346	-	-	-	5,182,776	(3,165,668)	4,630,454
Total liabilities	9,016,363	2,045	6,443	9,216	5,590,078	(3,364,650)	11,259,495
Deferred Inflows of Resources - VRS	4,474,588	-	-	-	-	-	4,474,588
Net position:							
Investment in capital assets	5,137,621	268,831	647,949	456,401	6,691,845	-	13,202,647
Restricted for cash held in escrow	-	30,419	32,102	11,152	-	-	73,673
VRS net position	3,259,577	-	-	-	-	-	3,259,577
Unrestricted but Designated for Postemployment Health Insurance	301,836	-	-	-	-	-	301,836
Unrestricted	12,975,351	4,155	1,974	1,492	(3,301,836)	-	9,681,136
Total net position	21,674,385	303,405	682,025	469,045	3,390,009	-	26,518,869
Total liabilities and net position	$ 35,165,336	$ 305,450	$ 688,468	$ 478,261	$ 8,980,087	$ (3,364,650)	$ 42,252,952

Note 4. Condensed Financial Statements (Continued)

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES & COMPONENT UNITS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2023

	Agency	Piney Ridge Apartments	Piney Ridge Apartments II	Ashlawn View	Bellevue	Eliminations	Blended
Operating revenues:							
Net services revenue	$ 14,075,047	$ 23,400	$ 37,707	$ 24,720	$ 841,240	$ (841,240)	$ 14,160,874
Other revenues	256,081	-	-	-	-	(6,891)	249,190
Total operating revenues	14,331,128	23,400	37,707	24,720	841,240	(848,131)	14,410,064
Operating expenses:							
Personnel	17,997,919	-	-	-	-	-	17,997,919
Staff development	179,373	-	-	-	-	-	179,373
Facilities	2,157,706	12,019	19,542	14,172	-	(841,240)	1,362,199
Supplies and equip. maintenance	1,058,318	-	218	-	-	-	1,058,536
Travel	191,715	-	-	-	-	-	191,715
Consultant/contract	2,443,181	4,372	21,758	5,788	255,870	(256,186)	2,474,783
Depreciation	329,945	12,459	25,360	16,222	342,624	-	726,610
Bad debt expense	105,246	-	-	-	-	-	105,246
Miscellaneous	-	-	-	-	1,039	-	1,039
Total operating expenses	24,463,403	28,850	66,878	36,182	599,533	(1,097,426)	24,097,420
Operating income (loss)	(10,132,275)	(5,450)	(29,171)	(11,462)	241,707	249,295	(9,687,356)
Nonoperating income (expense):							
Appropriations from government:							
State	10,045,943	-	-	-	-	-	10,045,943
Federal	2,536,282	-	-	-	-	-	2,536,282
Local	1,787,432	-	-	-	-	(249,295)	1,538,137
Interest income	38,117	37	35	5	-	-	38,194
Gain on sale of equipment	-	-	-	-	-	-	-
Interest expense	-	-	-	-	(71,508)	-	(71,508)
Total non-operating income (expense)	14,407,774	37	35	5	(71,508)	(249,295)	14,087,048
Total changes in net position	4,275,499	(5,413)	(29,136)	(11,457)	170,199	-	4,399,692
Net position, beginning of year	17,398,886	308,818	711,161	480,502	3,219,810	-	22,119,177
Net position, end of year	$ 21,674,385	$ 303,405	$ 682,025	$ 469,045	$ 3,390,009	$ -	$ 26,518,869

Note 5. Net Services Revenue

Net services revenue for the years ended June 30, 2023 and 2022 consisted of the following:

	2023	2022
Medicaid	$ 13,523,059	$ 11,931,203
Direct client fees	343,528	466,751
Third parties	294,287	285,634
	$ 14,160,874	$ 12,683,588

Note 6. Allowance for Doubtful Accounts

For the year ended June 30, 2023, the allowance for doubtful accounts was decreased by $31,819, net of actual write-offs of $134,761 for consumer accounts and $0 for consumer notes. The net increase brought the June 30, 2023 allowance to a balance of $190,020. For the year ended June 30, 2022, the allowance for doubtful accounts was decreased by $2,306 net of actual write-offs of $111,933 for consumer accounts and $3,597 for consumer notes, bringing the June 30, 2022 allowance to a balance to $221,839.

Note 7. Due from Other Governments and Other Agencies

Amounts due from other governments and agencies consisted of the following at June 30:

	2023	2022
Federal	$ 312,184	$ 98,364
Commonwealth of Virginia	28,046	15,810
City of Danville	42,574	34,673
Other local agencies	24,260	878
	$ 407,064	$ 149,725

Note 8. Capital Assets

The current capitalization policy requires the inclusion of those assets with a cost of $5,000 or more. Capital assets at June 30, 2023 and 2022 consisted of the following:

Agency	2022	Additions	Reductions	2023
Furniture and equipment	$ 1,394,311	$ 357,108	$ -	$ 1,751,419
Vehicles	1,792,137	98,257	13,138	1,877,256
Buildings and improvements	3,310,907	1,816,569	-	5,127,476
Leasehold improvements	763,521	36,239		799,760
	7,260,876	2,308,173	13,138	9,555,911
Piney Ridge Corporation				
Land and improvements	31,087	-	-	31,087
Buildings	422,872	-	-	422,872
Furniture and equipment	12,896	-	-	12,896
	466,855	-	-	466,855
Piney Ridge Corporation II				
Land and improvements	68,709	-	-	68,709
Buildings	874,967	-	-	874,967
Furniture and equipment	7,385	2,630	-	10,015
	951,061	2,630	-	953,691
Ashlawn View, Inc.				
Land (non-depreciable)	50,458	-	-	50,458
Buildings	556,964	-	-	556,964
	607,422	-	-	607,422
Bellevue, Inc.				
Land and improvements	1,330,973	4,700	-	1,335,673
Buildings	11,589,471	-	-	11,589,471
Furniture and equipment	412,701	-	-	412,701
	13,333,145	4,700	-	13,337,845
Blended total assets	22,619,359	2,315,503	13,138	24,921,724
Less accumulated depreciation	(8,777,395)	(726,609)	(13,138)	(9,490,866)
	$ 13,841,964	$ 1,588,894	$ -	$ 15,430,858

Note 9. Claims, Judgments, and Compensated Absences

Salaried employees' attendance and leave terms make provisions for the granting of a specified number of days leave with pay each year (see Note 2). At June 30, 2023 and 2022, the amounts of earned but unpaid employees' leave were $1,428,572 and $1,278,973, respectively.

Note 10. Net Position

At June 30, 2023 and 2022, net position of the Agency consisted of the following:

	2023	2022
Invested in capital assets, net of related debt:		
Net land, buildings, and equipment	$ 13,202,647	$ 11,307,949
Organizational costs, net	-	-
Total invested in capital assets	13,202,647	11,307,949
Unrestricted net position:		
Designated for postemployment health insurance	301,836	323,920
Restricted for cash in escrow	73,673	75,116
VRS net pension position	3,259,577	2,577,675
Unrestricted and undesignated	9,681,136	7,834,519
Total net position	$ 26,518,869	$ 22,119,179

Total net position	$ 26,518,869	$ 22,119,179
Total invested in capital assets	(13,202,647)	(11,307,949)
Designated for postemployment health insurance	(301,836)	(323,920)
Designated for cash in escrow	(73,673)	(75,116)
VRS net pension position	(3,259,577)	(2,577,675)
	$ 9,681,136	$ 7,834,519

Unrestricted net assets were available for current use with the limitation that the Board of Directors has designated $301,836 and $323,920 of unrestricted net assets as of June 30, 2023 and 2022, respectively, for funding post-employment health care benefits. See Postemployment Health Insurance - Note 2.

Note 11. Pension Plan

Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of the Agency are automatically covered by VRS Retirement Plan upon employment. This 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 (1950)*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Note 11. Pension Plan (Continued)

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out as follows:

VRS - PLAN 1

About the Plan:

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.

Eligible Members:

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election:

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

Retirement Contributions:

Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit:

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting:

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

Note 11. Pension Plan (Continued)

VRS PLAN 1 (Continued)

Calculating the Benefit:

The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

Average Final Compensation:

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier VRS:

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for nonhazardous duty members is 1.70%.

Normal Retirement Age VRS:

Age 65.

Earliest Unreduced Retirement Eligibility VRS:

Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

Earliest Reduced Retirement Eligibility VRS:

Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

Cost-of-Living Adjustment (COLA) in Retirement:

The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years (60 months) of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the *Workforce Transition Act* or the Transitional Benefits Program.

Note 11. Pension Plan (Continued)

VRS PLAN 1 (Continued)

Cost-of-Living Adjustment (COLA) in Retirement (Continued):

Exceptions to COLA Effective Dates (Continued):

- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage:

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service:

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

VRS - PLAN 2

About the Plan:

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.

Eligible Members:

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election:

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

Retirement Contributions:

Same as Plan 1.

Service Credit:

Same as Plan 1.

Vesting:

Same as Plan 1.

Note 11. Pension Plan (Continued)

VRS PLAN 2 (Continued)

Calculating the Benefit:

See definition under Plan 1.

Average Final Compensation:

A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier VRS:

Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For nonhazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age:

Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility VRS:

Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.

Earliest Reduced Retirement Eligibility VRS:

Age 60 with at least five years (60 months) of service credit.

Cost-of-Living Adjustment (COLA) in Retirement:

The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.

Eligibility:

Same as Plan 1.

Exceptions to COLA Effective Dates:

Same as Plan 1.

Disability Coverage:

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service:

Same as Plan 1.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan**:**

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 11. Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

About the Hybrid Retirement Plan (Continued)**:**

- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members:

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Agency employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

*Non-Eligible Members:

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Agency employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Retirement Contributions:

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Service Credit:

<u>Defined Benefit Component</u> - Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

<u>Defined Contributions Component</u> - Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Note 11. Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

Vesting:

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit.

Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years (24 months), a member is 50% vested and may withdraw 50% of employer contributions.
- After three years (36 months), a member is 75% vested and may withdraw 75% of employer contributions.
- After four (4) or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law.

Calculating the Benefit:

Defined Benefit Component - See definition under Plan 1.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation:

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier:

Defined Benefit Component VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Defined Contribution Component - Not applicable.

Note 11. Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

Normal Retirement Age:

Defined Benefit Component VRS - Same as Plan 2.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility:

Defined Benefit Component VRS - Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and plus service credit equals 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility:

Defined Benefit Component VRS - Age 60 with at least five years (60 months) of service credit.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement:

Defined Benefit Component - Same as Plan 2.

Defined Contribution Component - Not applicable.

Eligibility - Same as Plan 1 and Plan 2.

Exceptions to COLA Effective Dates - Same as Plan 1 and Plan 2.

Disability Coverage:

Employees of Agency (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service:

Defined Benefit Component - Same as Plan 1 with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component - Not applicable.

Note 11. Pension Plan (Continued)

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

	June 30, 2022
Inactive Members or their Beneficiaries	
Currently Receiving Benefits	113
Inactive Members	
Vested	52
Non-Vested	105
Active Elsewhere in VRS	58
Total Inactive Members	215
Active Members	241
Total	569

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 Agency's contractually required contribution rate for the year ended June 30, 2023 was 2.31% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Agency were $280,221 and $309,902 for the years ended June 30, 2023 and 2022, respectively.

Net Pension Liability: The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Agency, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability 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 employees in the Agency'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 percent
Salary increases, including inflation	3.50 percent - 5.35 percent
Investment rate of return	6.75 percent, net of investment expenses, including inflation*

Note 11. Pension Plan (Continued)

Mortality rates – non-largest ten locality employers – non-hazardous duty: 15% of deaths are assumed to be service-related

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 3 years

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

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

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

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

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	No change
Salary scale	No change
Line of duty disability	No change
Discount rate	No change

Note 11. Pension Plan (Continued)

Long-term Expected Rate of Return: The long-term expected rate of return on pension System investments was determined using 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, 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%.

Discount Rate

The discount rate used to determine 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 FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022 on, participating 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.

Note 11. Pension Plan (Continued)

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2021	$ 33,488,298	$40,362,427	$ (6,874,129)
Changes for the year:			
Service cost	809,250	-	809,250
Interest on total pension liability	2,267,723	-	2,267,723
Change in assumptions	-	-	-
Difference between expected and actual experience	(356,444)	-	(356,444)
Contributions - employer	-	245,138	(245,138)
Contributions - employee	-	496,477	(496,477)
Net investment income	-	(36,771)	36,771
Benefit payments, including refund of employee contributions	(1,403,316)	(1,403,316)	-
Administrative expense	-	(25,150)	25,150
Other changes	-	931	(931)
Net changes	1,317,213	(722,691)	2,039,904
Balance at June 30, 2022	$ 34,805,511	$39,639,736	$ (4,834,225)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension (asset) liability of the Agency using the discount rate of 6.75%, as well as one that is 1% higher and lower than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension (Asset) Liability	$ 489,290	$ (4,834,225)	$ (9,084,852)

Note 11. Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2023 and 2022, the Agency recognized pension expense (income) of $(726,843) and $447,716 respectively. At June 30, 2023, the Agency 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
Difference between expected and actual experience	$ -	$ 349,604
Change in assumptions	3,157,530	-
Difference between projected and actual earnings on plan investments	-	3,972,955
Employer contributions subsequent to the measurement date	191,046	-
	$3,348,576	$ 4,322,559

The $191,046 reported as deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement date which will be recognized as a reduction of the Net Pension Liability in the 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 Ending June 30,	
2024	$ (370,645)
2025	(549,407)
2026	(792,597)
2027	547,620
2028	-
Thereafter	-
	$ (1,165,029)

Pension Plan Data: Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at 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 12. Other Postemployment Benefits-Group Life Insurance

General information about the group life insurance program

Plan description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

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 Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit amounts

The benefits payable under the Group Life Insurance Program have several components.

- Natural death benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental death benefit – The accidental death benefit is double the natural death benefit.
- Other benefit provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Safety belt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Reduction in benefits amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum benefit amount and cost-of-living adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,984 effective June 30, 2023.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were $65,783 and $58,829 for the years ended June 30, 2023 and 2022, respectively.

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

At June 30, 2023, the entities reported a liability of $604,716 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .05008% as compared to .05053% at June 30, 2021.

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of $21,201. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 47,751	$ 24,191
Net difference between projected and actual earnings on GLI OPEB program investments	-	37,679
Change in assumptions	22,491	58,736
Changes in proportion	20,058	31,420
Employer contributions subsequent to the measurement date	65,783	-
Total	$ 156,083	$ 152,026

$65,783 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30,	
2024	(11,716)
2025	(14,530)
2026	(35,428)
2027	5,493
2028	(5,545)
Thereafter	-

Actuarial assumptions:

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

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Actuarial assumptions(continued):

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.50 percent – 5.35 percent
Teachers	3.50 percent – 5.95 percent
SPORS employees	3.50 percent – 4.75 percent
VaLORS employees	3.50 percent – 4.75 percent
JRS employees	4.00 percent
Locality – General employees	3.50 percent – 5.35 percent
Locality – Hazardous Duty employees	3.50 percent – 4.75 percent
Investment rate of return	6.75 percent, net of investment expenses, including inflation*

Mortality rates – non-largest ten locality employers – general employees

Pre-retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; females set forward 2 years.

Post-retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

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:

Mortality rates (pre-retirement, post-retirement healthy, and disabled	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability rates	No change
Salary scale	No change
Line of duty disability	No change
Discount rate	No change

Net GLI OPEB liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

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

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

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Long-term expected rate of return

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

Asset Class (Strategy)	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 st	6.00%	3.73%	0.22%
PIP - Private investment partr	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.83%

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

Discount rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 ending June 30,2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 12. Other Postemployment Benefits-Group Life Insurance (Continued)

Sensitivity of the employer's proportionate share of the net GLI OPEB liability to changes in the discount rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 877,452	$ 604,716	$ 381,226

Group life insurance program fiduciary net position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is 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.

Note 13. Local Support

Local support for the Agency for the fiscal years ended June 30, 2023 and 2022 was as follows:

	2023	2022
Pittsylvania County	$ 642,100	$ 492,818
City of Danville	702,050	547,310
Other local-in-kind support	193,987	161,100
	$ 1,538,137	$ 1,201,228

Note 14. Deferred Revenue

Federal and State grant funds received but not expended at fiscal year-end are carried as deferred revenue until such time as they are expended or returned to the grantor agency. Federal funds unexpended at the end of the grant term, generally September 30, would be refunded to the grantor unless an approved reallocation is granted.

At June 30, 2023 and 2022, deferred revenue consists of the following:

	2023	2022
State	$ 4,060,972	$ 4,443,427
Federal	290,720	667,009
Other	40,344	43,265
	$ 4,392,036	$ 5,153,701

Note 15. Long Term Debt

Bellevue, Inc. has financed additions and improvements to its rental property through mortgage note obligations. The notes are secured by the property and an assignment of rents.

Hairston Street complex

Bellevue, Inc. secured a commitment for a construction loan in the amount of $3,300,000 for a major addition to the Hairston Street campus which also includes renovation of existing facilities on the property. The loan is payable at $22,828 per month over ten years, with the unpaid balance at that time subject to balloon payment or refinancing at rates applicable at that time.

Bellevue and its tenant, the Agency, must maintain their primary business checking accounts with the lending institution. Failure to do so will result in an increase in the interest rate of 3% on the unpaid balance In addition to the above, Bellevue has covenanted to maintain debt service coverage ratio of not less than 1.15 to 1.00.

The loan is secured by a first lien on all property located at 245 Hairston Street and assignment of rents on that property.

Notes payable at June 30, 2023 and 2022 were as follows:

	June 30, 2023	June 30, 2022
Financing for Campus Expansion:		
Construction note payable, due in monthly installments of $22,828, including principal and interest at 2.95% through January 2, 2034.	$2,228,211	$ 2,534,015
Less current portion	(211,103)	(198,304)
Total long-term notes payable	$2,017,108	$ 2,335,711

Future maturities of long-term debt are as follows:

2024	$ 211,103
2025	217,415
2026	223,916
2027	230,612
2028	237,508
Thereafter	1,107,657
	$ 2,228,211

Note 16. Commitments

Lease commitments

The Agency has three operating leases with multiple year terms with its component unit Bellevue, Inc. These leases are disregarded for purposes of this blended report since the underlying assets and liabilities are included as part of the entity. These facilities include the main office complex on Hairston Street and residential facilities at Keen & Middle Streets, the Dewey Place Complex, and the Rison Street Complex. The leases are triple net lease, and the Agency has always been responsible for taxes, maintenance and upkeep, as well as the necessary insurance.

Facilities with one year or less remaining on the lease for office space and other facilities needed to carry out its various programs including the property located at the Agency's Gretna office ($1,700 per month).

Note 17. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the organization expects such amounts, if any, to be immaterial.

At June 30, 2023 and 2022, there were no matters of litigation involving Danville-Pittsylvania Community Services which would materially affect the organization's financial position should any court decision or pending matter be determined unfavorable to the organization.

Note 18. Risk Management

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency participates in Virginia Association of Counties Group Self Insurance Risk Pool, a public entity risk pool, for public official's errors and omissions, professional liability, medical malpractice, and automobile coverage. The insured limit on this coverage is $1,000,000 per occurrence with no aggregate limitation.

Virginia Association of Counties Group Self Insurance Risk Pool is self-insured for this coverage and the Agency could be assessed for additional premiums in the event the pool incurs losses greater than the Pool's assets. Commercial insurance is carried for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and claims have not exceeded coverage in any of the past three fiscal years. The Agency carries $325,000 in blanket employee dishonesty coverage through the Virginia Commonwealth Corporation.

Note 19. Related Party Transactions

As previously stated, Bellevue, Inc. owns and operates real estate leased by the Agency. The Agency is the sole tenant of the properties owned by Bellevue, Inc. (see Note 15 – Long Term Debt and 16 - Commitments) and handles all of Bellevue, Inc.'s administrative responsibilities. As a blended component unit, the intercompany rent is not reported, but Agency payments to Bellevue, Inc. for leases for the years ended June 30, 2023 and 2022 totaled $396,156 each year.

Note 20. Subsequent Events

Subsequent to year end, the Agency entered into an agreement to sell the property located on West Main Street in Danville.

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through November 15, 2023, which is the date the financial statements were available to be issued.

Note 21. Prepaid Expenses

The Agency paid cash of $742,760 in December, 2017 to Bellevue, Inc. In January 2018 the Agency paid cash of $1,672,299 and transferred land having a value of $993,323 to Bellevue, Inc. The Agency paid cash of $507,389 in May, 2020. The purpose of these transactions is for Bellevue, Inc. to expand the Hairston Street campus. The total of $3,915,771 was recognized by the Agency as prepaid rent. During the years ended June 30, 2023 and 2022 rent expense of $195,788 was recognized each year. The prepaid expense and rent is eliminated when consolidated.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

For the Years Ended June 30,
See Independent Auditors' Report

	2022	2021	2020	2019	2018
Total Pension Liability					
Service costs	$ 809,250	$ 859,137	$ 868,680	$ 850,513	$ 834,792
Interest	2,267,723	2,055,808	1,965,856	1,886,365	1,784,548
Change of assumptions	-	924,362	-	982,789	-
Difference between expected and actual experience	(356,444)	(175,303)	(306,477)	(414,116)	(193,107)
including refunds of employee contributions	(1,403,316)	(1,264,229)	(1,126,668)	(1,132,988)	(810,417)
Net change in total pension liability	1,317,213	2,399,775	1,401,391	2,172,563	1,615,816
Total pension liability - beginning	33,488,298	31,088,523	29,687,132	27,514,569	25,898,753
ending	$ 34,805,511	$ 33,488,298	$ 31,088,523	$ 29,687,132	$ 27,514,569
Plan fiduciary net position					
Contributions - employer	$ 245,138	$ 234,159	$ 222,322	$ 239,214	$ 320,052
Contributions - employee	496,477	478,509	465,313	478,470	469,452
Net investment income	(36,771)	8,773,196	608,325	2,030,906	2,103,370
Benefit payments, including refunds of employee contributions	(1,403,316)	(1,264,229)	(1,126,668)	(1,132,988)	(810,417)
Administrative expenses	(25,150)	(21,764)	(20,768)	(20,031)	(17,800)
Other expenses	931	828	(725)	(1,278)	(1,888)
Net change in plan fiduciary net position	(722,691)	8,200,699	147,799	1,594,293	2,062,769
Plan fiduciary net position - beginning	40,362,427	32,161,728	32,013,929	30,419,636	28,356,867
Plan fiduciary net position - ending	$ 39,639,736	$ 40,362,427	$ 32,161,728	$ 32,013,929	$ 30,419,636
Plan fiduciary net position as a percentage of total pension	118.37%	129.83%	108.34%	116.35%	117.46%
Covered payroll	$ 10,880,523	$ 10,414,861	$ 10,033,805	$ 10,206,899	$ 9,909,184
Net pension liability as a percentage of covered payroll	32.49%	33.50%	33.80%	37.10%	38.26%

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

For the Years Ended June 30,

See Independent Auditors' Report

	2017	2016	2015	2014
Total Pension Liability				
Service costs	$ 913,918	$ 861,062	$ 874,669	$ 868,379
Interest	1,688,457	1,567,108	1,489,528	1,375,861
Change of assumptions	(321,892)	-	-	-
Difference between expected and actual experience	(115,075)	36,740	(598,773)	-
including refunds of employee contributions	(774,934)	(687,778)	(626,486)	(614,383)
Net change in total pension liability	1,390,474	1,777,132	1,138,938	1,629,857
Total pension liability - beginning	24,508,279	22,731,147	21,592,209	19,962,352
ending	$ 25,898,753	$ 24,508,279	$ 22,731,147	$ 21,592,209
Plan fiduciary net position				
Contributions - employer	$ 320,430	$ 469,186	$ 464,029	$ 612,592
Contributions - employee	490,069	437,985	441,498	429,067
Net investment income		441,999	1,077,483	3,154,096
Benefit payments, including refunds of employee contributions	(774,934)	(687,778)	(626,486)	(614,383)
Administrative expenses	(17,485)	(15,004)	(14,287)	(16,475)
Other expenses	(2,771)	(185)	(227)	166
Net change in plan fiduciary net position	15,309	646,203	1,342,010	3,565,063
Plan fiduciary net position - beginning	25,246,160	24,599,957	23,257,947	19,692,884
Plan fiduciary net position - ending	$ 25,261,469	$ 25,246,160	$ 24,599,957	$ 23,257,947
Plan fiduciary net position as a percentage of total pension	103.07%	111.06%	113.93%	116.51%
Covered payroll	$ 9,560,018	$ 9,350,336	$ 8,720,572	$ 8,607,960
Net pension liability as a percentage of covered payroll	39.01%	41.13%	40.39%	43.12%

See notes to schedule of change in net pension liability and related ratios.

NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Years Ended June 30, 2043 through 2023

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

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

- Update mortality rates to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Retirement rates adjusted to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- No change in disability rate
- No change in salary scale
- No change in discount rate

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Date	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employees Payroll	Contribution as a % of Covered Employees Payroll
2023	$ 281,046	$ 281,046	$ -	$ 12,166,515	2.31%
2022	$ 315,535	$ 315,535	$ -	$ 10,880,523	2.90%
2021	$ 302,031	$ 302,031	$ -	$ 10,414,861	2.90%
2020	$ 275,930	$ 275,930	$ -	$ 10,033,805	2.75%
2019	$ 282,122	$ 282,122	$ -	$ 10,206,899	2.76%
2018	$ 320,052	$ 320,052	$ -	$ 9,909,184	3.23%
2017	$ 320,430	$ 320,430	$ -	$ 9,560,018	3.35%
2016	$ 469,186	$ 469,186	$ -	$ 9,350,336	5.02%
2015	$ 464,029	$ 464,029	$ -	$ 8,720,572	5.32%
2014	$ 470,596	$ 470,596	$ -	$ 8,607,960	5.47%

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY AND RELATED RATIOS
GROUP LIFE INSURANCE PROGRAM
For the Measurement Dates of June 30, 2017 through 2022
See Independent Auditors' Report

	2022	2021	2020	2019
Employer's proportion of the net GLI OPEB liability (asset)	0.05008%	0.05053%	0.04888%	0.05217%
Employer's proportionate share of the net GLI OPEB liability (asset)	$ 603,011	$ 590,010	$ 817,309	$ 850,220
Employer's covered payroll	$ 10,894,273	$ 10,432,425	$ 10,060,137	$ 10,226,177
Employer's proportionate share of the net GLI OPEB liability (asset) as a percentage of its covered payroll	5.53512%	5.65554%	8.12423%	8.31415%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.21%	67.45%	52.64%	49.55%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, only six years of data is available. However, additional years will be included as they become available.

	2018	2017
Employer's proportion of the net GLI OPEB liability (asset)	0.05219%	0.05188%
Employer's proportionate share of the net GLI OPEB liability	$ 794,401	$ 781,000
Employer's covered payroll	$ 9,922,972	$9,569,703
Employer's proportionate share of the net GLI OPEB liability (asset) as a percentage of its covered payroll	8.00568%	8.16117%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	51.22%	48.86%

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROUP LIFE INSURANCE PROGRAM
For the Years Ended June 30, 2014 through 2023
See Independent Auditors' Report

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	$ 65,783	$ 65,783	$ -	$ 12,182,039	0.54%
2022	$ 58,829	$ 58,829	$ -	$ 10,894,273	0.54%
2021	$ 56,336	$ 56,336	$ -	$ 10,432,425	0.54%
2020	$ 52,313	$ 52,313	$ -	$ 10,060,137	0.52%
2019	$ 53,176	$ 53,176	$ -	$ 10,226,177	0.52%
2018	$ 51,599	$ 51,599	$ -	$ 9,922,972	0.52%
2017	$ 49,762	$ 49,762	$ -	$ 9,569,703	0.52%
2016	$ 47,378	$ 42,908	$ 4,470	$ 8,939,240	0.48%
2015	$ 46,503	$ 42,116	$ 4,387	$ 8,774,167	0.48%
2014	$ 45,711	$ 41,399	$ 4,312	$ 8,624,773	0.48%

See notes to required supplementary information – group life insurance program.

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

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

Non-largest ten locality employers – general employees

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	No change
Salary scale	No change
Line of duty disability	No change
Discount rate	No change

COMPLIANCE

Harris, Harvey, Neal & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Danville-Pittsylvania Community Services
Danville, Virginia

We have audited, in accordance with the 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 *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and aggregate discretely presented component units of the Danville-Pittsylvania Community Services, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which comprise Danville-Pittsylvania Community Services' basic financial statements, and have issued our report thereon dated November 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Danville-Pittsylvania Community Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Danville-Pittsylvania Community Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Danville-Pittsylvania Community Services' 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 may exist that have not been identified.

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Offices in Danville, Chatham, Martinsville, and South Boston, Virginia

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 15, 2023

HHN&Co.

Harris, Harvey, Neal & Co., LLP
Certified Public Accountants

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

To the Board of Directors
Danville-Pittsylvania Community Services
Danville, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Danville Pittsylvania Community Services' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Danville Pittsylvania Community Services' major federal programs for the year ended June 30, 2023. Danville Pittsylvania Community Services' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

- Obtain an understanding of Danville Pittsylvania Community Services' 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 Danville Pittsylvania Community Services' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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.

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 15, 2023

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INDEPENDENT AUDITORS' COMMENTS ON RESOLUTION OF
PRIOR YEAR AUDIT FINDINGS

To The Board of Directors
Danville-Pittsylvania Community Services

No corrective action was required of Danville-Pittsylvania Community Services regarding previously reported audit findings since there were no audit findings reported in the prior period.

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 15, 2023

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Offices in Danville, Chatham, Martinsville, and South Boston, Virginia

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023
See Independent Auditors' Report

Federal Grantor/Program Title	Assistance Listing Number	Expenditures of Federal Awards
Affordable Care Act — Maternal, Infant, and Early Childhood Home Visiting Program Formula, Expansion, and Development Grants to States-Cluster		
U.S. Department of Health and Human Services		
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	$ 92,665
Transit Services Program Cluster		
Other Programs		
U.S. Department of Health and Human Services		
Passed through Virginia Department of Behavioral Health and Developmental Services		
Block Grant for Community Mental Health Services	93.958	185,279
State Targeted Response to the Opioid Crisis Grant	93.788	477,355
Maternal, Infant and Early Childhood Home Visiting	93.870	19,350
* Block Grant for Prevention and Treatment of Substance Abuse	93.959	1,087,513
Total U.S. Department of Health and Human Services		1,769,497
U.S. Department of Education		
Passed through Virginia Department of Behavioral Health and Developmental Services		
Special Education-Grants for Infants and Families	84.181	77,315
U.S. Department of Justice		
Passed through Virginia Department of Criminal Justice		
Juvenile Justice and Delinquency Prevention	16.540	64,340
STOP School Violence	16.839	47,497
Total U.S. Department of Justice		111,837
U.S. Department of Treasury		
Passed through Virginia Department of Behavioral Health and Developmental Services		
Coronavirus State and Local Fiscal Recovery Funds	21.027	471,693
U.S. Department of Agriculture		
Child and Adult Care Food Program	10.558	13,275
Total Expenditures		$ 2,536,282

* Indicates Major Program

See Notes to the Schedule of Expenditures of Federal Awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rates

Danville Pittsylvania Community Services has elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance on noted grants.

DANVILLE-PITTSYLVANIA COMMUNITY SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

Section 1 - Summary of Audit Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA#	Name of Federal Program of Cluster
93.959	Block Grants for Prevention and Treament of Substance Abuse

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None