

**CUMBERLAND MOUNTAIN
COMMUNITY
SERVICES BOARD**

FINANCIAL STATEMENTS

June 30, 2024

CUMBERLAND MOUNTAIN COMMUNITY SERVICES

BOARD OF DIRECTORS

Ms. April Morefield	Chair
Mr. James Mounts	Vice-Chair
Ms. Retha Pittman	Secretary
Ms. Maxine Mullins	
Mr. George Childress	
Mr. Jared Smith	
Mr. David Eaton	
Mr. Aaron Feeser	
Ms. Cathy McClanahan	

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

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Cumberland Mountain Community Services Board

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2024

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

Following the MD&A are the basic financial statements of CMCSB which include: The Statements of Net Position, The Statements of Revenues, Expenses, and Changes in Net Position, and The Statements of Cash Flows. In addition to the basic financial statements and accompanying notes, there are certain required supplementary information including The Schedule of Expenditures of Federal Awards, Schedule of Insurance, and VRS Pension & OPEB Note Information.

WHAT IS CMCSB?

CMCSB is one of forty (40) Community Services Boards serving the citizens of the state of Virginia. CMCSB is located in Southwest Virginia, serving the counties of Russell, Tazewell, and Buchanan. CMCSB has twenty-three (23) locations serving the citizens of our service area.

WHAT IS OUR LEGAL ENTITY?

CMCSB is a local political subdivision of Russell County (our fiscal agent), Tazewell County, and Buchanan County. Our Board of Directors is made up of three (3) members from each of the three counties we serve. Our Board of Directors is appointed by each County's Board of Supervisors. The Board of Directors employs an Executive Director to supervise the day to day operations of CMCSB. We applied for and obtained 501(c)(3) organization status from the Internal Revenue Service several years ago. Donations made to CMCSB are tax deductible.

WHAT SERVICES DO WE PROVIDE?

We provide behavioral health, developmental disability, and substance use disorder services to our three-county area. These services include, but are not limited to, medication management, outpatient counseling, case management, emergency behavioral health, day programs for the mentally ill and developmentally disabled, numerous group homes, and substance use disorder treatment and prevention.

EMPLOYMENT

We employ 392 employees in our three-county area. There are 307 full-time salaried employees with the remaining being part-time, some of which are individuals receiving services. Our service staff includes nurse practitioners, registered nurses, social workers, direct service providers, and support services providers. These positions are all supported by administrative staff who prepare the necessary billings, reporting, and various other administrative services.

WHERE DOES OUR REVENUE COME FROM?

We receive state grant funds and federal grant funds from the Department of Behavioral Health and Developmental Services (DBHDS). We sign a contract with DBHDS each year proposing the services we are going to provide with those funds. CMCSB also receives local government funds, direct federal funding, fees for the services we provide, funds from other agencies, and sales from our enterprise activities.

WHERE DOES OUR FUNDING GO?

The vast majority of our funding goes back into the local economy through wages to our employees. There are also staff benefits, staff development, facility costs, supplies, equipment, vehicles, travel, and various types of contractual service providers.

Cumberland Mountain Community Services Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2024

FINANCIAL STATEMENTS

CMCSB's financial statements are prepared on an accrual basis of accounting as required by generally accepted accounting principles. The accrual basis of accounting is a basis of accounting in which revenues are recognized when earned (not collected), and expenses are recognized when incurred (not paid).

FINANCIAL POSITION ANALYSIS

CMCSB's financial position increased by \$4,090,428 for the current financial period.

LONG-TERM DEBT

Our long-term debt decreased by \$251,335 for the current financial period. Lease liabilities increased by \$192,046 for the financial period for leased vehicles. Subscription liabilities decreased by \$96,581 for the financial period.

REQUESTS FOR INFORMATION

The MD&A information above and on the following pages is intended to provide a general overview of CMCSB's operations and finances. The audit report following the MD&A is a more technical presentation. If you have any questions about either or need additional information please contact the Chief Financial Officer, Cumberland Mountain Community Services, P.O. Box 810, Cedar Bluff, Virginia 24609.

Cumberland Mountain Community Services Board
Management's Discussion and Analysis
For the Year Ended June 30, 2024

FINANCIAL POSITION SUMMARY

	<i>2024</i>	<i>2023</i>	<i>Variance</i>
Assets:			
Current and other	\$ 27,085,594	\$ 22,340,696	\$ 4,744,898
Deferred Outflows - Pension & OPEB	2,688,764	3,046,754	(357,990)
Fixed Assets (net of depreciation)	10,380,916	10,573,517	(192,601)
Total Assets	<u>\$ 40,155,274</u>	<u>\$ 35,960,967</u>	<u>\$ 4,194,307</u>
Liabilities:			
Current Liabilities	\$ 2,111,830	\$ 1,892,069	\$ 219,761
Deferred Inflows - Pension & OPEB	1,904,338	2,749,958	(845,620)
Long-term Liabilities	15,465,894	14,736,156	729,738
Total Liabilities	<u>19,482,062</u>	<u>19,378,183</u>	<u>103,879</u>
Net Position:			
Net Investment in Capital Assets	6,794,778	6,879,576	(84,798)
Restricted State Funds	7,425,014	6,131,268	1,293,746
Restricted Other Funds	1,945,045	750,735	1,194,310
Unrestricted	4,508,375	2,821,205	1,687,170
Net Position:	<u>20,673,212</u>	<u>16,582,784</u>	<u>4,090,428</u>
Total Liabilities and Net Position	<u>\$ 40,155,274</u>	<u>\$ 35,960,967</u>	<u>\$ 4,194,307</u>

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

	<i>2024</i>	<i>2023</i>	<i>Variance</i>
Operating Revenues	\$ 21,987,451	\$ 21,417,519	\$ 569,932
Operating Expenses	(29,856,825)	(27,430,984)	(2,425,841)
Excess before non-operating income and expenses	(7,869,374)	(6,013,465)	(1,855,909)
Appropriations	11,097,831	9,440,093	1,657,738
Interest Income	845,717	464,102	381,615
Change in Net Position	4,090,428	3,890,730	199,698
Beginning Net Position	16,582,784	12,692,054	3,890,730
Ending Net Position	<u>\$ 20,673,212</u>	<u>\$ 16,582,784</u>	<u>\$ 4,090,428</u>

WAGES AND FRINGE BENEFITS COSTS

	<i>2024</i>	<i>2023</i>	<i>Variance</i>
Salaries and Wages	\$ 18,295,436	\$ 16,416,323	\$ 1,879,113
Fringe Benefits	1,489,449	1,299,307	190,142
Pension Plan Expense	1,430,683	1,038,257	392,426
GLI Expense	18,074	18,894	(820)
VLDP Expense	35,367	29,221	6,146
MI Expense	3,005,680	3,018,661	(12,981)
Total	<u>\$ 24,274,689</u>	<u>\$ 21,820,663</u>	<u>\$ 2,454,026</u>

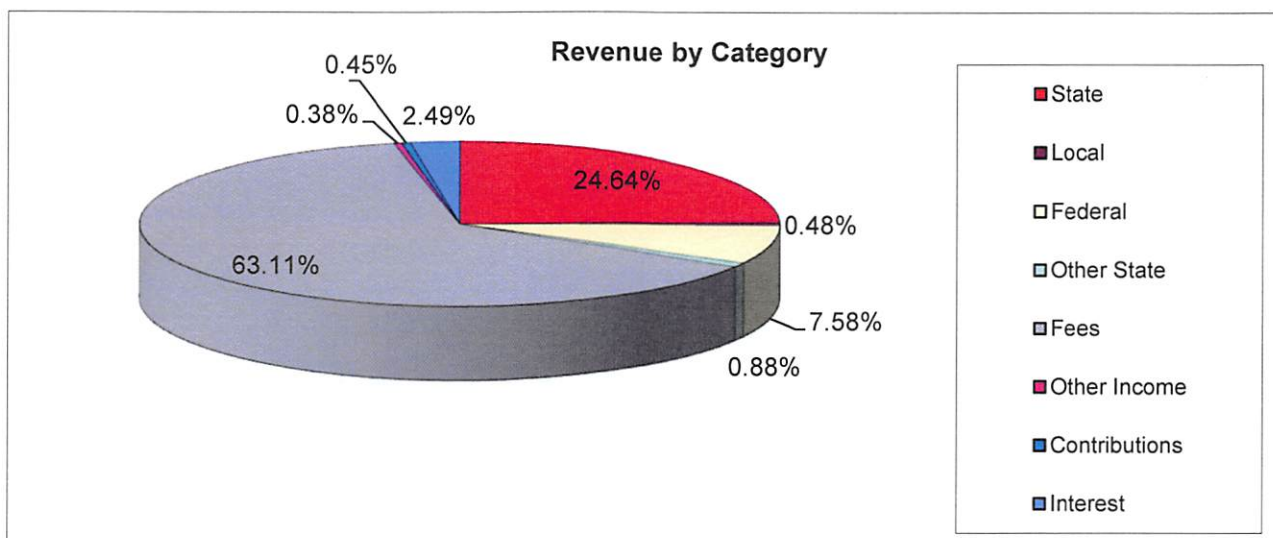
CAPITAL ASSETS

During the fiscal year CMCSB acquired various capital assets necessary for the operation of the CSB. Capital assets are assets purchased which cost in excess of \$2,500 each. The following table reflects the comparison of capital assets components as of June 30, 2023, and June 30, 2024.

	Balance June 30, 2023	Additions/ Deletions	Balance June 30, 2024
Land	\$ 618,665	\$ -	\$ 618,665
Buildings & Improvements	12,943,578	43,745	12,987,323
Vehicles	1,135,116	192,714	1,327,830
Leasehold Improvements	715,031	-	715,031
Intangible Right to Use - Leases	2,356,776	17,990	2,374,766
Intangible Right to Use - Subscriptions	461,998	-	461,998
Equipment and Furniture	\$ 2,162,175	\$ 78,687	\$ 2,240,862
Total	20,393,339	333,136	20,726,475
Less Accumulated Depreciation	9,819,822	525,737	10,345,559
Net Investment in Capital Assets	\$ 10,573,517	\$ (192,601)	\$ 10,380,916

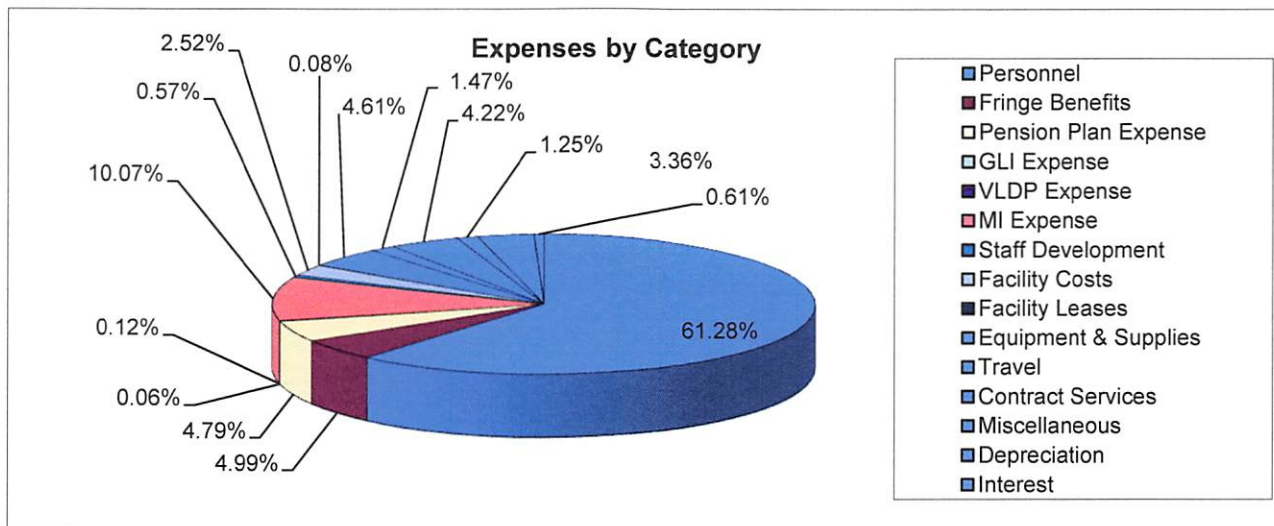
REVENUE SUMMARY BY CATEGORY

	2024	2023	Variance
State	\$ 8,363,847	\$ 7,141,407	\$ 1,222,440
Local	161,796	161,796	-
Federal	2,572,188	2,136,890	435,298
Other State	299,990	280,535	19,455
Fees	21,423,721	20,882,989	540,732
Other Income	128,753	69,101	59,652
Contributions	151,241	160,078	(8,837)
Interest	845,717	464,102	381,615
Total	\$ 33,947,253	\$ 31,296,898	\$ 2,650,355



EXPENSE SUMMARY BY CATEGORY

	2024	2023	Variance
Personnel	\$ 18,295,436	\$ 16,416,323	\$ 1,879,113
Fringe Benefits	1,489,449	1,299,307	190,142
Pension Plan Expense	1,430,683	1,038,257	392,426
GLI Expense	18,074	18,894	(820)
VLDP Expense	35,367	29,221	6,146
MI Expense	3,005,680	3,018,661	(12,981)
Staff Development	171,180	151,457	19,723
Facility Costs	753,747	702,693	51,054
Facility Leases	24,367	24,367	-
Equipment & Supplies	1,376,614	1,444,648	(68,034)
Travel	437,603	371,505	66,098
Contract Services	1,258,988	1,378,604	(119,616)
Miscellaneous	373,333	401,687	(28,354)
Depreciation	1,004,238	974,812	29,426
Interest	182,066	160,548	21,518
Total	\$ 29,856,825	\$ 27,430,984	\$ 2,425,841



SUMMARY OF SERVICES PROVIDED (cash basis as reported to DBHDS)

	Units of Service	Number of Consumers	Total Cost
Mental Health:			
Outpatient	16,539	1,011	\$ 2,310,334
Medical	2,281	1,069	771,789
Case Management	28,166	1,842	3,816,546
Day Treatment	18	10	85,000
Rehabilitation	74,747	117	1,881,579
Residential Crisis Stabilization	672	78	595,715
Supportive Residential Services	245	5	164,345
Prevention	N/A	N/A	10,501
			<u>\$ 9,635,809</u>

	<i>Units of Service</i>	<i>Number of Consumers</i>	<i>Total Cost</i>
Developmental Services:			
Case Management	17,672	363	\$ 1,692,617
Habilitation	100,737	84	1,802,150
Community Intermediate Care Facilities	5,406	15	2,604,377
Intensive Residential - Group Homes	15,829	46	3,551,445
Supportive Residential Services	27,229	27	1,002,340
			<u>\$ 10,652,929</u>

	<i>Units of Service</i>	<i>Number of Consumers</i>	<i>Total Cost</i>
Substance Abuse:			
Outpatient	7,562	304	\$ 1,081,053
Medication Assisted Treatment Services	1,473	203	1,023,553
Case Management	4,823	292	279,929
Highly Intensive Residential Services	3,562	427	944,764
Prevention	N/A	N/A	420,560
			<u>\$ 3,749,859</u>

	<i>Units of Service</i>	<i>Number of Consumers</i>	<i>Total Cost</i>
Part C Systems:			
Early Intervention	14,509	332	<u>\$ 1,175,792</u>

	<i>Units of Service</i>	<i>Number of Consumers</i>	<i>Total Cost</i>
Outside a Program Area:			
Emergency	3,838	805	\$ 2,081,695
Consumer Run Services	N/A	38	15,916
			<u>\$ 2,097,611</u>

Administration & Program Support Costs			<u>\$ 4,039,749</u>
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cumberland Mountain Community Services Board
Cedar Bluff, Virginia

Opinion

We have audited the accompanying financial statements of Cumberland Mountain Community Services Board ("CMCSB"), a political subdivision, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise CMCSB's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 CMCSB's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, 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 CMCSB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CMCSB's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited CMCSB's 2023 financial statements, on which, in our report dated November 10, 2023, we expressed an unmodified opinion. The 2023 financial information is provided for comparative purposes only.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages one through six, and other required supplemental schedules related to pension and other post-employment benefits funding 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Cumberland Mountain Community Services Board's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 taken as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated November 11, 2024 on our consideration of Cumberland Mountain Community Services Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is 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 CMCSB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cumberland Mountain Community Services Board's internal control over financial reporting and compliance.



HBC Certified Public Accountants
Abingdon, Virginia
November 11, 2024

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

Statements of Net Position

June 30, 2024 and 2023

Assets and Deferred Outflows of Resources		
CURRENT ASSETS:	<u>2024</u>	<u>2023 *</u>
Cash and Investments	\$ 22,713,498	\$ 19,018,830
Accounts Receivable, Net of allowance of \$395,190 and \$416,655 at June 30, 2024 and 2023 respectively	2,310,418	2,153,028
Receivable - CSB's	103,823	54,716
Receivable - DMAS Cost Reports	736,532	296,428
Miscellaneous Receivables	7,619	8,992
Due from DBHDS	439,401	91,586
Total Current Assets	<u>26,311,291</u>	<u>21,623,580</u>
Capital Assets		
(net of accumulated depreciation)	10,380,916	10,573,517
Prepaid Insurance	468,212	472,582
Prepaid Expense	130,888	62,011
St. Chivas Loan	8,162	5,990
Assets held for Trust Beneficiaries	82,893	86,789
Assets held for Outside Entities	84,148	89,744
Total Other Noncurrent Assets	<u>774,303</u>	<u>717,116</u>
Deferred Outflows - Pension Liability	2,143,978	2,430,026
Deferred Outflows - GLI OPEB	162,565	158,597
Deferred Outflows - VLDP OPEB	62,974	53,352
Deferred Outflows - MI OPEB	319,247	404,779
TOTAL ASSETS	<u>\$ 40,155,274</u>	<u>\$ 35,960,967</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 252,007	\$ 244,253
Current portion of accrued leave	230,539	193,417
Current portion of lease liability	338,604	305,248
Current portion of subscription liability	96,581	89,624
Accounts Payable - Operations	98,052	85,351
Accrued Wages	864,205	783,615
Payroll Withholdings	32,539	29,656
Due to VRS	184,572	148,873
Miscellaneous Payable	2,958	159
Accrued Interest	2,147	2,433
Deferred Revenue	2,700	4,025
Deferred Lease Payments	6,926	5,415
Due to DMAS Cost Reports	-	-
Total Current Liabilities	<u>2,111,830</u>	<u>1,892,069</u>
LONG-TERM LIABILITIES:		
Due to Trust Beneficiaries	82,893	86,789
Net Pension Liability	6,756,887	6,118,011
Net GLI OPEB Liability	624,843	621,675
Net VLDP OPEB Liability	(13,948)	(5,357)
Net MI OPEB Liability	3,278,208	3,299,691
Long-term debt - less current portion	1,653,081	1,904,416
Long-term lease liability - less current portion	1,105,327	913,281
Long-term subscription liability - less current portion	140,538	237,119
Bond Issuance Capitalized Costs	(5,903)	(6,736)
Accrued Leave - less current portion	1,843,968	1,567,267
Total Long-Term Liabilities	<u>15,465,894</u>	<u>14,736,156</u>
Deferred Inflows - Pension Liability	766,920	1,455,673
Deferred Inflows - GLI OPEB	140,007	196,025
Deferred Inflows - VLDP OPEB	10,310	13,884
Deferred Inflows - MI OPEB	987,101	1,084,376
NET POSITION:		
Net Investment in Capital Assets	6,794,778	6,879,576
Restricted State Funds	7,425,014	6,131,268
Restricted Other Funds	1,945,045	750,735
Unrestricted	4,508,375	2,821,205
Total Net Position	<u>20,673,212</u>	<u>16,582,784</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 40,155,274</u>	<u>\$ 35,960,967</u>

* For comparative purposes only

Accompanying Notes Are An Integral Part of These Statements

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

Statements of Revenues and Expenses and Changes in Net Position

For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023 *</u>
OPERATING REVENUES:		
Net client fees and insurance reimbursement	\$ 21,423,721	\$ 20,882,989
Other Income	263,740	253,995
Miscellaneous State Funds	299,990	280,535
TOTAL OPERATING REVENUES	<u>21,987,451</u>	<u>21,417,519</u>
OPERATING EXPENSES:		
Personnel	18,295,436	16,416,323
Fringe Benefits	1,489,449	1,299,307
Pension Plan Expense	1,430,683	1,038,257
GLI Expense	18,074	18,894
VLDP Expense	35,367	29,221
MI Expense	3,005,680	3,018,661
Staff Development	171,180	151,457
Facility Costs	753,747	702,693
Facility Leases	24,367	24,367
Equipment & Supplies	1,376,614	1,444,648
Travel	437,603	371,505
Contract Services	1,258,988	1,378,604
Miscellaneous	373,333	401,687
Interest Expense	182,066	160,548
Depreciation and Amortization	1,004,238	974,812
TOTAL OPERATING EXPENSES	<u>29,856,825</u>	<u>27,430,984</u>
OPERATING INCOME (LOSS)	<u>(7,869,374)</u>	<u>(6,013,465)</u>
NON-OPERATING INCOME:		
Appropriations:		
Appropriations from the Commonwealth of VA	8,363,847	7,141,407
Appropriations from Local Government	161,796	161,796
Appropriations from Federal Government	2,572,188	2,136,890
Gain/(Loss) on Sale of Assets	16,254	-
Interest Income	845,717	464,102
TOTAL NON-OPERATING INCOME	<u>11,959,802</u>	<u>9,904,195</u>
CHANGE IN NET POSITION	4,090,428	3,890,730
NET POSITION - Beginning of Year	<u>16,582,784</u>	<u>12,692,054</u>
NET POSITION - End of Year	<u>\$ 20,673,212</u>	<u>\$ 16,582,784</u>

* For comparative purposes only

Accompanying Notes Are An Integral Part of These Statements

CUMBERLAND MOUNTAIN COMMUNITY SERVICES
Statements of Cash Flows (Direct Method)
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023 *</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts for Client Services	\$ 20,826,227	\$ 20,607,014
Receipts for Miscellaneous	570,699	529,956
Payments to Employees	(17,901,023)	(15,625,720)
Payments to Vendors	(10,262,781)	(10,061,873)
Interest Payments on Debt	(181,233)	(159,715)
Net Cash Used by Operations	<u>(6,948,111)</u>	<u>(4,710,338)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State and Federal Appropriations	10,539,113	9,174,729
Local Government Appropriations	161,796	161,796
Net Cash from Non-Capital Financing Activities	<u>10,700,909</u>	<u>9,336,525</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
(Increase)/Decrease in due from St. Chivas	(2,173)	(5,990)
Payment on debt and leases	(702,273)	(750,211)
Purchase of capital assets	(215,655)	(494,151)
Net Cash Used by Capital and Related Financing Activities	<u>(920,101)</u>	<u>(1,250,352)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Gain/(Loss) on Asset Disposal	16,254	-
Interest Income	845,717	464,102
Net Cash From Investing Activities	<u>861,971</u>	<u>464,102</u>
Net Change in Cash and Cash Equivalents	3,694,668	3,839,937
Balance - Beginning of the Year	19,018,830	15,178,893
Balance - End of the Year	<u>\$ 22,713,498</u>	<u>\$ 19,018,830</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Income (loss)	\$ (7,869,374)	\$ (6,013,465)
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and Amortization	1,004,238	974,812
Changes in Assets and Liabilities		
Changes in Current Assets (Increase) Decrease:		
Accounts Receivable	(157,390)	(44,617)
Receivable DMAS - Cost Reports	(440,104)	(231,358)
Miscellaneous Receivables	1,373	(7,528)
Prepaid Insurance	4,370	9,874
Prepaid Expense	(68,877)	12,527
Deferred Outflows - Pension Liability	286,048	453,259
Deferred Outflows - GLI OPEB	(3,968)	47,905
Deferred Outflows - VLDP OPEB	(9,622)	(11,234)
Deferred Outflows - MI OPEB	85,532	17,945
Restricted Cash - Outside Entities	5,596	2,954

* For comparative purposes only

Accompanying Notes Are An Integral Part of These Statements

CUMBERLAND MOUNTAIN COMMUNITY SERVICES
Statement of Cash Flows (Direct Method) continued
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023 *</u>
Changes in Current Liabilities Increase (Decrease):		
Accounts Payable	\$ 12,701	\$ (32,755)
Accrued Wages	80,590	731,695
Current Portion of Accrued Leave	37,122	(16,995)
Payroll Withholdings	2,883	(14,074)
Miscellaneous Payable	2,799	(215)
Deferred Revenue	(1,325)	(24,555)
Due to DMAS - Cost Reports	-	(36,707)
Due to VRS	35,699	19,719
Accrued Interest Expense	(286)	(276)
Bond Issuance Costs	833	833
Net Pension Liability	638,876	3,328,996
Net GLI OPEB Liability	3,168	(18,092)
Net VLDP OPEB Liability	(8,591)	4,364
Net MI OPEB Liability	(21,483)	(95,318)
Deferred Inflows - Pension Liability	(688,753)	(3,809,744)
Deferred Inflows - GLI OPEB	(56,018)	(92,887)
Deferred Inflows - VLDP OPEB	(3,574)	(9,012)
Deferred Inflows - MI OPEB	(97,275)	67,708
Long-term portion of accrued leave	276,701	75,903
Net Cash Used by Operations	<u>\$ (6,948,111)</u>	<u>\$ (4,710,338)</u>
 Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Assets acquired under capital leases	\$ 598,481	\$ 452,357
Total noncash capital and related financing activities	<u>\$ 598,481</u>	<u>\$ 452,357</u>

* For comparative purposes only

Accompanying Notes Are An Integral Part of These Statements

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 1 - DESCRIPTION OF AGENCY

Reporting Entity

Cumberland Mountain Community Services Board (CMCSB) operates as a local political subdivision for the counties of Buchanan, Russell (fiscal agent), and Tazewell in the establishment and operation of behavioral health, developmental disabilities, and substance use disorders as provided for in Chapter 10 of Title 37.1 of the Code of Virginia (1950) as amended relating to the Virginia Department of Behavioral Health and Developmental Services. St. Benedict's Corporation is included as a blended component unit in these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

CMCSB is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board. For financial reporting purposes, the Board utilizes the enterprise fund method of accounting using the accrual basis. On the accrual basis of accounting revenues are recorded when earned and expenses are recorded when incurred, regardless of when the related cash flows take place.

The Board applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements. Fiscal year 2023 has been presented for comparative purposes in financial statements.

Budgets and Budgetary Accounting

CMCSB's annual budget is a management tool that assists users in analyzing financial activity for its fiscal year ending June 30. CMCSB's largest funding source is fee-for-service payments, primarily from Medicaid and other insurers. Federal, state and local appropriations are also significant revenue sources that have fiscal periods that may or may not coincide with CMCSB's fiscal year. These appropriations normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

Because of CMCSB's dependency on uncertain fee revenues and on federal, state, and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. CMCSB's annual budget differs from that of a local government due to the uncertain nature of fee-for-service payments from other payers.

The resultant annual budget is subject to constant change within the fiscal year due to:

- The extent to which fee revenues are realized;
- Increases/decreases in actual appropriations from those estimates;
- Unanticipated appropriations not included in the budget; and
- Expected appropriations that fail to materialize.

Cash and Cash Equivalents

For purposes of the statement of cash flows, CMCSB considers all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts

CMCSB evaluates its accounts receivables based on historical write-off percentages for all receivables except private pay, which is based on historical collections. A charge to income to absorb possible credit losses is made based on these percentages.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Client Fees and Insurance Reimbursements

Net client fees and insurance reimbursements are reported at the net realizable amounts from clients, third party payers and others for services rendered. Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Retroactive adjustments are reported in operations in the year of settlement. Net patient service revenue is considered to be operating revenue. All expenses are related to patient services and therefore considered to be operating expenses. Other income related to patient services may be considered operating revenue.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The estimated useful lives of property and equipment are as follows using the straight-line method:

	<u>Years</u>
Buildings	40
Land Improvements	15
Leasehold Improvements	10
Furniture, equipment and vehicles	5

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Advertising

Advertising costs are charged to operations when incurred.

Risk Management

CMCSB 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. CMCSB purchases commercial insurance for all risks of loss noted above.

Net Position

Net position is the difference between assets and liabilities. Net position is classified as net investment in capital assets, temporarily restricted, and unrestricted. Net investment in capital assets consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets. Temporarily restricted net position consists of assets that are restricted by CMCSB creditors (for example, through debt covenants), by grantors (both federal and state), and by other contributors. Unrestricted net position consists of all other net position reported.

When net position balance resources are available for a specific purpose in more than one classification, it is the policy of CMCSB to use the most restrictive funds first in the following order: restricted and unrestricted as they are needed.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows, 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 Organization has several items that qualify for reporting in this category. It is comprised of certain items related to the measurement of the net pension and OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities measurement dates. For more detailed information on these items, refer to the related notes.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Organization has several items that qualify for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows. For more detailed information on these items, refer to the related notes.

Pensions

For purposes of measuring the net pension liability, deferred outflows and deferred inflows related to pensions, and pension expense, information about the fiduciary net position of the Organization's Retirement Plan and the additions to/deductions from the Organization's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS and OPEB liabilities, deferred outflows and deferred inflows related to OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB, VRS VLDP OPEB and MI OPEB plans and the additions to/deductions from the Plan's net fiduciary position have been determined on the same basis as they were reported by VRS and the Organization's actuary. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

NOTE 3 - CASH AND INVESTMENTS

Deposits: At year-end the carrying value of CMCSB's deposits with banks and savings institutions and the bank balances which are covered by federal depositor insurance or collateralized in accordance with the Virginia Security for Public Deposits Act is as follows:

	<u>2024</u>	<u>2023</u>
Carrying Value	\$22,879,059	\$19,185,642
Balance	\$23,693,742	\$19,911,552
Collateralized Balance	\$23,693,742	\$19,911,552

Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans institutions. Of the bank balances, \$-0- was uninsured and uncollateralized in banks or savings and loan institutions not qualifying under the Act at June 30, 2024 and 2023.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments: CMCSB has no active investments.

Statement of Liquidity:

The following table provides CMCSB's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	<u>2024</u>	<u>2023</u>
Current assets, excluding non-financial assets, at year end	\$ 27,085,594	\$ 22,340,696
Less: Prepaid expenses	(599,100)	(534,593)
Assets held for Trust Beneficiaries	(82,893)	(86,789)
Assets held for Outside Entities	<u>(84,148)</u>	<u>(89,744)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 26,319,453</u>	<u>\$ 21,629,570</u>

NOTE 4 - ACCOUNTS RECEIVABLE

A. Amounts due from clients and/or third party providers for services provided to clients.

B. Amounts due for jobs performed by our staff and consumers at our workshop for outside entities.

C. The amount computed for the allowance for doubtful accounts is \$395,190 for 2024 and \$416,655 for 2023.

NOTE 5 – CHANGES IN PROPERTY AND EQUIPMENT

The changes in property and equipment, net of depreciation are shown below.

	Balance, as Restated <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2024</u>
<u>Capital Assets</u>							
Land	\$ 618,665	\$ -	\$ -	\$ 618,665	\$ -	\$ -	\$ 618,665
Building & Improvements	12,765,187	178,391	-	12,943,578	43,745	-	12,987,323
Vehicles	1,376,601	148,531	390,016	1,135,116	501,294	309,264	1,327,146
Leasehold Improvements	715,031	-	-	715,031	-	-	715,031
Intangible right-to-use - Leases	1,988,564	452,357	84,145	2,356,776	595,981	577,307	2,375,450
Intangible right-to-use-Software	461,998	-	-	461,998	-	-	461,998
Equipment and Furniture	1,922,223	251,374	11,422	2,162,175	107,886	29,199	2,240,862
Total	<u>19,848,269</u>	<u>1,030,653</u>	<u>485,583</u>	<u>20,393,339</u>	<u>1,248,906</u>	<u>915,770</u>	<u>20,726,475</u>
<u>Less: Accumulated Depreciation and Amortization</u>							
Building & Improvements	5,080,567	310,182	-	5,390,749	310,967	-	5,701,716
Vehicles	1,376,601	84,735	390,016	1,071,320	460,453	309,264	1,222,509
Leasehold Improvements	333,511	26,224	-	359,735	28,278	-	388,013
Intangible right-to-use - Leases	843,177	418,933	80,114	1,181,996	408,656	581,336	1,009,316
Intangible right-to-use-Software	61,600	92,400	-	154,000	92,400	-	246,400
Equipment and Furniture	1,550,992	122,452	11,422	1,662,022	144,782	29,199	1,777,605
Total	<u>9,246,448</u>	<u>1,054,926</u>	<u>481,552</u>	<u>9,819,822</u>	<u>1,445,536</u>	<u>919,799</u>	<u>10,345,559</u>
Net Investment in Fixed Assets	<u>\$10,601,821</u>	<u>\$ (24,273)</u>	<u>\$ 4,031</u>	<u>\$10,573,517</u>	<u>\$ (196,630)</u>	<u>\$ (4,029)</u>	<u>\$10,380,916</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 5 – CHANGES IN PROPERTY AND EQUIPMENT (Continued)

Cumberland Mountain Community Services Board's current capitalization policy is to capitalize single assets with a cost of at least \$2,500.

Enterprise leased vehicles and three building leases are included in depreciation and amortization expense on the Statement of Revenues, Expenses and Changes in Net Position related to the Agency's intangible assets, which are included in the above table as Intangible Right to Use Leases. With the implementation of Governmental Accounting Standards Board Statement No. 87 *Leases*, a lease meeting the criteria of the Statement requires the lessee to recognize a lease liability and an intangible right to use asset. At June 30, 2024 and June 30, 2023, the net book value of Intangible Right to Use Leases – Vehicles is \$850,519 and \$710,047, respectively. The net book value as of June 30, 2024 and June 30, 2023 for the Intangible Right to Use Leases – Buildings is \$515,615 and \$464,733, respectively.

CMCSB implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. CMCSB had one software arrangement that requires recognition under GASB No. 96. The software amortization expense is included on the Statement of Revenues, Expenses and Changes in Net Position related to the Board's intangible asset of one software system, which is included in the above table as Intangible Right-to-Use Software. CMCSB now recognizes a subscription-based information technology arrangement (SBITA) liability and an intangible right-to-use asset for the accounting software in Finance. At June 30, 2024 and June 30, 2023, the net book value of Intangible Right to Use - Subscriptions is \$215,598 and \$307,998, respectively.

The accounting software arrangement is a five-year agreement, initiated in fiscal year 2022 with a monthly payment of \$9,200. CMCSB has used a 7.5% discount rate for this arrangement based on rate quoted by local bank. There is no option to purchase the software.

NOTE 6 - LONG-TERM DEBT AND LEASE LIABILITY

A detail of long-term debt at June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
LAUREL'S PROJECT		
June, 2000, U.S. Rural Housing Programs Rural Development loan in the amount of \$770,000. Monthly interest and principal payments of \$3,966 @ 4.50% interest amortized over a total of 348 months.	\$ 249,609	\$ 285,096
June, 2000, U.S. Rural Housing Programs Rural Development loan in the amount of \$100,000. Monthly interest and principal payments of \$515 @ 4.50% interest amortized over a total of 348 months.	<u>31,149</u>	<u>35,813</u>
Total Laurel's Project	\$ 280,758	\$ 320,909
ST. BENEDICT'S ALLISON BUILDING LOAN		
August, 2016, First Bank & Trust original loan of \$3,712,500 on the Allison Building was refinanced with First Bank & Trust. Monthly interest and principal payments of \$21,153 @ 2.875% interest amortized over a total of 180 months. There were Bond issuance costs of \$12,500 which are being amortized over 180 months.	<u>\$ 1,624,330</u>	<u>\$ 1,827,760</u>
Total Debt	\$ 1,905,088	\$ 2,148,669
Less Current Portion	<u>252,007</u>	<u>244,253</u>
Long-Term Debt	<u>\$ 1,653,081</u>	<u>\$ 1,904,416</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 6 - LONG-TERM DEBT AND LEASE LIABILITY (Continued)

Estimated maturities of long-term debt for succeeding years are as follows:

Year ended June 30:	<u>Principal</u>	<u>Interest</u>
2025	\$ 252,007	\$ 55,601
2026	260,038	47,571
2027	268,334	39,275
2028	276,905	30,703
2029	285,761	21,847
2030 - 2032	562,043	17,160
	<u>\$ 1,905,088</u>	<u>\$ 212,157</u>

The Rural Development loans require a debt service reserve to be established and accumulated at the rate of 10% of the monthly debt payment until a sum equal to no less than one annual installment is accumulated. At June 30, 2024, no payments were required.

A detail of long-term leases at June 30, 2024 and 2023 is as follows:

2024 2023

Lease – Automobiles and Software

Enterprise Lease – four and five-year capitalized leases. Monthly interest and principal payments ranging from \$303 - \$925 at 4.75% and 7.50% amortized over a total of 60 or 72 months including one year buy-out option. \$ 889,805 \$ 725,273

Cerner Lease – five-year capitalized lease. Monthly interest and principal payments of \$9,200 at 7.50% amortized over a total of 60 months. 237,119 326,743

Building Leases

St. Chivas Corporation - ten-year capitalized lease. Monthly interest and principal payments of \$6,480 at 4.25% amortized over a total of 120 months. 412,641 471,769

St. Chivas Corporation - five-year capitalized lease. Monthly interest and principal payments of \$570 at 8.50% amortized over A total of 60 months 32,288 471,769

C & J Partnership - five-year capitalized lease. Monthly interest and principal payments of \$2,500 at 8.50% amortized over a total of 60 months. \$ 109,197 \$ 6,078

Total Lease Liability	\$ 1,681,050	\$ 1,545,272
Less Current Portion	<u>435,185</u>	<u>394,872</u>
Long-term lease liability	<u>\$ 1,245,865</u>	<u>\$ 1,150,400</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 6 - LONG-TERM DEBT AND LEASE LIABILITY (Continued)

Annual requirements to amortize long-term lease and subscription liability for succeeding years are as follows:

Year ended June 30:	<u>Leases</u>		<u>Subscriptions</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 338,604	\$ 83,265	\$ 96,581	\$ 20,776
2026	274,351	63,603	104,079	13,819
2027	267,978	45,113	36,459	6,321
2028	274,690	24,354	-	342
2029	187,714	9,224	-	-
2030	100,594	2,031	-	-
	<u>\$ 1,443,931</u>	<u>\$ 227,590</u>	<u>\$ 237,119</u>	<u>\$ 41,258</u>

NOTE 7 - COMPENSATED ABSENCES

CMCSB has accrued the liability arising from compensated absences. CMCSB employees can accumulate unused annual and sick leave according to the agency personnel policy and are paid upon termination. Employees are allowed to sell back to the Agency accrued sick and annual hours in excess of maximum carryover hours (240 hours). These amounts in excess of 240 hours are listed as Short-term Liabilities. CMCSB's outstanding compensated absences obligation is as follows:

	<u>2024</u>	<u>2023</u>
Amount available for buy-out (short-term)	\$ 230,539	\$ 193,417
Amount carried over (long-term)	<u>1,843,968</u>	<u>1,567,267</u>
	<u>\$2,074,507</u>	<u>\$1,760,684</u>

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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 Cumberland Mountain Community Services Board's (CMCSB) Retirement Plan and the additions to/deductions from CMCSB'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.

Plan Description

All full-time, salaried permanent employees of CMCSB are automatically covered by a 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*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 8 - DEFINED BENEFIT 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 and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>
- <https://www.varetirement.org/hybrid/plan-info.html>

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:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	141
Inactive members:	
Vested	46
Non-Vested	97
LTD	4
Inactive members active elsewhere in VRS	49
Total Inactive Members	<u>337</u>
Active Members	<u>282</u>
Total Covered Employees	<u><u>619</u></u>

Contributions

The contribution requirement for active employees is governed by Section 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 CMCSB contractually required employer contribution rate for the fiscal year ended June 30, 2024, was 8.69% 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 CMCSB were \$1,076,363 and \$970,635 for the years ended June 30, 2024 and June 30, 2023, 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 CMCSB, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the CMCSB Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.5%
Salary increases, including inflation	3.5 % – 5.35%
Investment rate of return	6.75 %, net of pension plan investment expense, including inflation

Mortality rates:

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service-related Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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.
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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. From July 1, 2023, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	\$ 52,109,741	\$ 45,991,730	\$ 6,118,011
Changes for the year:			
Service Cost	871,376	-	871,376
Interest	3,494,675	-	3,494,675
Benefit Changes	-	-	-
Differences between expected and actual experiences	756,742	-	756,742
Assumption Changes	-	-	-
Contributions – employer	-	970,644	(970,644)
Contributions – employee	-	579,851	(579,851)
Net investment income	-	2,961,857	(2,961,857)
Benefit payments, including refunds			
refunds of employee contributions	(2,416,314)	(2,416,314)	-
Administrative expenses	-	(29,625)	29,625
Other changes	-	1,190	(1,190)
Net changes	2,706,479	2,067,603	638,876
Balances at June 30, 2023	\$ 54,816,220	\$ 48,059,333	\$ 6,756,887

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the CMCSB using the discount rate of 6.75%, as well as what the CMCSB net pension 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%)
CMCSB's Net Pension Liability	\$ 14,692,611	\$ 6,756,887	\$ 224,266

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

For the year ended June 30, 2024, the CMCSB recognized pension expense of \$1,312,543. At June 30, 2024 the CMCSB reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 813,710	\$ 53,475
Changes in assumptions	253,905	-
Net difference between projected and actual earnings on pension plan investments	-	713,445
Employer contribution subsequent to the measurement date	1,076,363	-
Total	\$ 2,143,978	\$ 766,920

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

\$1,076,363 reported as deferred outflows of resources related to pensions resulting from the CMCSB contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Schedule of Amortization of Deferred Inflows and Outflows of Resources

Year Ended June 30:	
Year 1 2025	\$112,768
Year 2 2026	(547,998)
Year 3 2027	713,445
Year 4 2028	22,480
Year 5 2029	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at, varetire.org/pdf/publications/2023-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2024, a payable in the amount of \$149,836 was due to VRS for the June 30, 2024 legally required contributions to the pension plan. This was drafted by VRS on July 10, 2024.

NOTE 9 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

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 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.

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 OPEB plans, for public employer groups in the Commonwealth of Virginia.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 9 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is available at: <https://www.varetire.org/members/benefits/lifeinsurance/basic-group-life-insurance.asp>

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, 2024, was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$57,154 and \$66,253 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of General Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. Our proportionate share is reflected in GLI Expense line of page 2 of our financial statements.

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, 2024, CMCSB reported a liability of \$624,843 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was .05210% as compared to .05163% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of \$23,373. 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.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 9 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,406	\$ 18,967
Net difference between projected and actual earnings on GLI OPEB program investments	-	25,110
Change in assumptions	13,356	43,292
Changes in proportionate share	11,911	52,638
Employer contributions subsequent to the measurement date	74,892	-
Total	\$ 162,565	\$ 140,007

\$74,892 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30

FY 2025	\$ (17,655)
FY 2026	\$ (36,909)
FY 2027	\$ 424
FY 2028	\$ (5,338)
FY 2029	\$ 7,144
Thereafter	\$ -

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation –	
General state employees	3.50% – 5.35%
Teachers	3.50% – 5.95%
SPORS employees	3.50% – 4.75%
VaLORS employees	3.50% – 4.75%
JRS employees	4.00%
Locality – General employees	3.50% – 5.35%
Locality – Hazardous Duty employees	3.50% – 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 9 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries & Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 9 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

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 the measurement date of June 30, 2023, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,907,052
Plan Fiduciary Net Position	<u>2,707,739</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,199,313</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%

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

Long-Term Expected Rate of Return

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

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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 9 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$926,212	\$624,842	\$381,183

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 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS Group Life Insurance OPEB Plan

At June 30, 2024, CMCSB reported a payable of \$16,417 for the outstanding amount of contributions to the group life insurance plan required for the year ended June 30, 2024. This was drafted by VRS on July 10, 2024.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

Political Subdivision Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Political Subdivision Employee Virginia Local Disability Program

Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP)	
PLAN PROVISIONS	
Eligible Employees	
The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits	
Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:	
<ul style="list-style-type: none">• Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.	

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS (Continued)

Benefit Amounts

The Political Subdivision Employee Virginia Local Disability Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability –

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

Long-Term Disability –

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

Virginia Local Disability Program Notes:

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

Contributions

The contribution requirement for active hybrid plan employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2024, was 0.85% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the political subdivision to the VRS Political Subdivision Employee Virginia Local Disability Program were \$57,154 and \$45,103 for the years ended June 30, 2024 and June 30, 2023, respectively.

Political Subdivision Employee Virginia Local Disability Program OPEB Liabilities, Political Subdivision Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Political Subdivision Employee Virginia Local Disability Program OPEB

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS (Continued)

At June 30, 2024, the political subdivision reported a negative liability of \$13,948 for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2023, and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was 0.86689% as compared to 0.91116% at June 30, 2022.

For the year ended June 30, 2024, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$35,365. Since there was a change in proportionate share between measurement dates, a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,237	\$ 8,689
Net difference between projected and actual earnings on Political Subdivision VLDP OPEB program investments	34	-
Change in assumptions	92	1,277
Changes in proportion	457	344
Employer contributions subsequent to the measurement date	57,154	-
Total	\$ 62,974	\$ 10,310

\$57,154 reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

Year ended June 30

FY 2025	\$ (439)
FY 2026	\$ (2,306)
FY 2027	\$ 351
FY 2028	\$ (271)
FY 2029	\$ (822)
Thereafter	\$ (1,003)

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation – Political Subdivision Employees	3.50% – 5.35%
Investment rate of return	6.75%, including inflation

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS (Continued)

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 Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability 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, 2023, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

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

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

Long-Term Expected Rate of Return

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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS (Continued)

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

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

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

Discount Rate

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

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

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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 10 - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) – OTHER POST EMPLOYMENT BENEFITS (Continued)

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Covered employers proportionate share of the VRS Political Subdivision Employee VLDP OPEB Plan Net OPEB Liability	\$ (7,308)	\$ (13,948)	\$ (19,767)

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Political Subdivision Employee Virginia Local Disability Program OPEB Plan

At June 30, 2024, CMCSB reported a payable of \$5,334 for the outstanding amount of contributions to the Virginia Local Disability Program plan required for the year ended June 30, 2024. This was drafted by VRS on July 10, 2024.

NOTE 11 - POST EMPLOYMENT HEALTH INSURANCE BENEFITS FOR RETIREES

A. Health Plan Eligibility

Participants in CMCSB's OPEB plan must retire directly from active employment and be eligible for an immediate pension benefit from the Virginia Retirement System (VRS) to be eligible for retiree health benefits. VRS retirement eligibility requirements are as follows:

VRS General Employees' Plan 1

Plan 1 includes all members vested as of January 1, 2013.

- Attain age 50 with at least 10 years of service with VRS, or
- Attain age 55 with at least 5 years of service with VRS, or
- Attain age 65 with at least 5 years of service with VRS, or
- Attain age 50 with at least 30 years of service with VRS.

VRS General Employees' Plan 2 and Hybrid Plan

Plan 2 includes all members not vested as of January 1, 2013, and members hired on or after July 1, 2010. The Hybrid Plan includes members hired on or after January 1, 2014, or by member election.

- Attain age 60 with at least 5 years of service with VRS, or
- Attain 90 points (age plus service) with VRS, or
- Attain Social Security Normal Retirement Age with at least 5 years of service with VRS.

B. Health Plan Benefits

Health benefits include medical, dental, and vision coverage. Retirees not yet eligible for Medicare may elect the Key Advantage (KA) 500 option, with either comprehensive or preventative dental coverage. Retirees eligible for Medicare may elect the Key Advantage 65 plan, which includes dental and vision coverage.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 11 - POST EMPLOYMENT HEALTH INSURANCE BENEFITS FOR RETIREES (Continued)

Retirees with a retirement date on or after May 1, 2018, are eligible for health benefits for their lifetime. Retirees with a retirement date between July 1, 2000, and May 1, 2018, are eligible for health benefits for a period of five years immediately following the date of retirement or attaining Medicare eligibility, whichever comes first. After such time, retirees are no longer eligible to enroll in any of CMCSB's health plan offerings.

Retirees may elect to cover their spouse and any eligible dependent children, provided they are enrolled in CMCSB's health plan as of the date of retirement. If the retiree predeceases the spouse, the surviving spouse is eligible to continue coverage for their lifetime.

The monthly premiums show below are for the 12-month period beginning July 1, 2023.

<u>Plan</u>	<u>Retiree</u>	<u>Dual</u>	<u>Family</u>
Key Advantage 500 with Comprehensive Dental	\$ 808.00	\$ 1,494.00	\$ 2,181.00
Key Advantage 500 with Preventative Dental	\$ 791.00	\$ 1,463.00	\$ 2,137.00
Key Advantage 65 (with Dental and Vision)	\$ 211.00	N/A	N/A

C. Retiree and Employer Contributions

Retirements between July 1, 2000, and May 1, 2018:

CMCSB contributes a percentage of the retiree-only premium for a period of five years from the date of retirement or attaining Medicare eligibility, whichever comes first. (For pre-May 1, 2018 retirees, we relied on retiree contribution amounts provided in the retiree census data.)

Retirements on or after May 1, 2018:

CMCSB contributes a percentage of the retiree-only premium according to the schedule below. The contribution is provided for a period of 10 years from retirement.

Years of Service with CMCSB	% of Retiree-Only Premium Paid by CMCSB
Less than 25	0%
25 to 29	50%
30 or More	75%

All retirees are responsible for 100% of the premium cost for spouses and other dependents.

D. Disability Retirement Benefit

Disabled retirees have the same eligibility requirements and are eligible for the same health benefits as non-disabled retirees, as described in sections A, B, and C.

E. Death Benefit

The plan does not include a pre-retirement death benefit.

F. Withdrawal Benefit

The plan does not include a withdrawal benefit.

G. Benefit Service

Benefit service is credited from the date of hire with CMCSB.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 11 - POST EMPLOYMENT HEALTH INSURANCE BENEFITS FOR RETIREES (Continued)

Changes in Benefit Provisions since Prior Valuation

There have been no significant changes to the plan's substantive benefit provision since the prior valuation.

Participant Data as of June 30, 2022

Actives	285
Retirees	14
Spouses of Retirees	5
Beneficiaries	0
Total	<u>304</u>

Actuarial Assumptions and Methods

The demographic assumptions used to determine the Total OPEB Liability as of June 30, 2024 were based on the results of an actuarial experience study for the Virginia Retirement System covering the period from July 1, 2016 to June 30, 2020. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 20, 2021.

Discount Rate

3.93% based on the Bond Buyer General Obligation 20-Bond Municipal Index. (This compares to a 3.65% discount rate used to measure the plan's June 30, 2024, Total OPEB Liability.)

Other Key Actuarial Assumptions

Valuation Date	July 1, 2022
Measurement Date	June 30, 2024
Actuarial cost method	Entry Age Normal
Inflation	2.50 %
Pre-65 (Post-65) Medical Trend Rate	Consistent with Getzen Trend Model, Milliman's <i>Health Cost Guidelines</i>
Salary increases including inflation	Graded Scale
Disability Rates	25% of disability incidences are assumed to be service-related.
Mortality	
Pre-Retirement	Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. 25% of deaths are assumed to be service-related.
Post-Retirement	Pub-2010 Amount Weighed General Healthy Retiree Rates projected generationally; 110% of rates for females. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.
Post-Disablement	Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.
Beneficiaries and Survivors	Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 11 - POST EMPLOYMENT HEALTH INSURANCE BENEFITS FOR RETIREES (Continued)

Changes in Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2023	\$ 3,299,691
Changes for the year:	
Service cost	98,698
Interest on total OPEB liability	121,153
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(81,648)
Benefit payments	(159,686)
Balance as of June 30, 2024	<u>\$ 3,278,208</u>

Sensitivity Analysis

The following presents the total OPEB liability of CMCSB, calculated using the discount rate of 3.93%, as well as what CMCSB's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93%) or 1 percentage point higher (4.93%) than the current rate.

	1% Decrease 2.93%	Discount Rate 3.93%	1% Increase 4.93%
Total OPEB Liability	\$3,581,340	\$3,278,208	\$3,006,054

The following presents the total OPEB liability of CMCSB, calculated using the current healthcare cost trend rates as well as what CMCSB's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$2,886,351	\$3,278,208	\$3,746,448

OPEB Expense, Deferred Outflows of Resource, and Deferred Inflows of Resources

For the year ended June 30, 2024, CMCSB recognized an OPEB expense of \$126,460.

At June 30, 2024, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (372,030)	\$ 52,399
Changes of assumptions	(615,071)	266,848
Total	<u>\$ (987,101)</u>	<u>\$ 319,247</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other employment benefits will be recognized in OPEB expense as follows:

Year ended June 30:	
2025	\$ (93,391)
2026	(93,391)
2027	(93,391)
2028	(133,185)
2029	(159,714)
Thereafter*	(94,782)

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 11 - POST EMPLOYMENT HEALTH INSURANCE BENEFITS FOR RETIREES (Continued)

* Note that additional future deferred inflows and outflows or resources may impact these numbers.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Leases

As of June 30, 2024, CMCSB had lease agreements for various facilities. The following is a schedule by years of future minimum rental payments for operating leases with terms of at least one year.

<u>Year Ending June 30</u>	<u>St. Benedict's</u>	<u>Other</u>	<u>Amount</u>
2025	\$ 455,754	\$ -	\$ 455,754
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
Total Minimum Rentals	<u>\$ 455,754</u>	<u>\$ -</u>	<u>\$ 455,754</u>

* See Note 15 Blended Component Unit for description of relationship with St. Benedicts Corporation.

Federally Assisted Grant Programs

CMCSB participates in a number of federally assisted grant programs. Although CMCSB has been audited in accordance with the provisions of Uniform Guidance, these programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, CMCSB believes such disallowances, if any, will not be significant.

NOTE 13 - SURETY BONDS

The examination disclosed that the employees designated in the following schedule were under bond in the amounts indicated:

<u>Name and Title</u>	<u>Surety</u>	<u>Amount</u>
Blanket	National Grange Mutual Insurance	\$40,000 per loss

NOTE 14 - LOCAL REVENUES

Local match revenues include contributions by our local governments and the general public. Local revenues are as follows:

	<u>2024</u>	<u>2023</u>
Tazewell County	\$ 101,800	\$ 101,800
Russell County	39,996	39,996
Buchanan County	<u>20,000</u>	<u>20,000</u>
Local Government Appropriations	\$ 161,796	\$ 161,796
Russell County Public Schools	24,367	24,367
Feeding America	123,457	119,253
General Public	<u>3,417</u>	<u>2,460</u>
	<u>\$ 313,037</u>	<u>\$ 307,876</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 15 – BLENDED COMPONENT UNIT

St. Benedicts Corporation is a component unit of CMCSB. St. Benedicts Corporation, a separate non-stock, non-profit 501(c)(3) corporation organized under the provisions of Chapter 2 of the Virginia Stock Corporation Act, owns land and various facilities that CMCSB leases. CMCSB appoints board members of St. Benedicts Corporation and sets the lease rate; therefore, is included in these financial statements as a blended component unit.

St. Benedicts Corporation's condensed financial statements are included below. Intercompany revenues, expenses, assets, and liabilities have been eliminated in these financial statements.

St. Benedicts Corporation Statements of Net Position June 30, 2024 & 2023

Assets:	<u>2024</u>	<u>2023 *</u>
Current Assets:		
Cash	\$ 1,239,446	\$ 1,093,852
Due from Cumberland Mountain CSB	1,112	-
Total Current Assets	<u>1,240,558</u>	<u>1,093,852</u>
Noncurrent Assets:		
Capital Assets (net of accumulated depreciaton)	<u>5,230,665</u>	<u>5,397,246</u>
Total Noncurrent Assets	<u>5,230,665</u>	<u>5,397,246</u>
Total Assets	<u><u>\$ 6,471,223</u></u>	<u><u>\$ 6,491,098</u></u>
Liabilities:		
Current Liabilities:		
Accrued Interest	\$ 1,164	\$ 1,310
Due to Cumberland Mountain CSB	-	-
Bond Issuance Capitalized Costs	(833)	(833)
Current Portion of Long-Term Debt	<u>210,010</u>	<u>197,726</u>
Total Current Liabilities	<u>210,341</u>	<u>198,203</u>
Long-Term Liabilities:		
Bond Issuance Capitalized Costs	(5,070)	(5,903)
Long-Term Debt - less current portion	<u>1,414,320</u>	<u>1,630,034</u>
Total Long-Term Liabilities	<u>1,409,250</u>	<u>1,624,131</u>
Total Liabilities	<u>1,619,591</u>	<u>1,822,334</u>
Net Position:		
Net Investment in Capital Assets	3,777,509	3,574,912
Unrestricted	<u>1,074,123</u>	<u>1,093,852</u>
Total Fund Equity	<u>4,851,632</u>	<u>4,668,764</u>
Total Liabilities and Fund Equity	<u><u>\$ 6,471,223</u></u>	<u><u>\$ 6,491,098</u></u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 15 – BLENDED COMPONENT UNIT (Continued)

St. Benedicts Corporation
Statements of Revenues, Expenditures, and Changes
In Net Position
For the years ended June 30, 2024 & 2023

	<u>2024</u>	<u>2023 *</u>
OPERATING REVENUES:		
Rental Income	\$ 455,754	\$ 455,754
Miscellaneous Income	-	-
TOTAL OPERATING REVENUES	<u>455,754</u>	<u>455,754</u>
OPERATING EXPENDITURES:		
Taxes & License	6,883	6,883
Professional Fees	550	550
Interest Expense	51,094	56,802
Repairs & Maintenance	13,446	20,649
Depreciation	227,351	223,503
Miscellaneous	170	100
TOTAL OPERATING EXPENDITURES	<u>299,494</u>	<u>308,487</u>
OPERATING INCOME (LOSS)	<u>156,260</u>	<u>147,267</u>
NON-OPERATING INCOME:		
Gain/(Loss) on Sale of Assets	-	-
Interest Income	26,608	812
Change in Net Position	<u>182,868</u>	<u>148,079</u>
Beginning Net Position	<u>4,668,764</u>	<u>4,520,685</u>
Ending Net Position	<u>\$ 4,851,632</u>	<u>\$ 4,668,764</u>

St. Benedicts Corporation
Statements of Cash Flows (Direct Method)
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023 *</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts for Rental Income	\$ 455,754	\$ 455,754
Receipts for Miscellaneous	-	-
Payments to Vendors	(21,049)	(28,182)
Interest Payments on Debt	(50,407)	(56,111)
Net Cash Used by Operations	<u>384,298</u>	<u>371,461</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of debt	-	-
Payment on debt	(203,430)	(197,726)
Purchase of capital assets	(60,770)	(97,780)
Net Cash Used by Capital and Related Financing Activities	<u>(264,200)</u>	<u>(295,506)</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 15 – BLENDED COMPONENT UNIT (Continued)	<u>2024</u>	<u>2023 *</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest Income	\$ 26,608	\$ 812
Gain/(Loss) on Asset Disposal	-	-
Due to Cumberland Mountain CSB	(1,112)	(11,830)
Net Cash From Investing Activities	<u>(25,496)</u>	<u>(11,018)</u>
Net Change in Cash and Cash Equivalents	145,594	64,937
Balance - Beginning of the Year	<u>1,093,852</u>	<u>1,028,915</u>
Balance - End of the Year	<u>\$ 1,239,446</u>	<u>\$ 1,093,852</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Income (loss)	\$ 156,260	\$ 147,267
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	227,351	223,503
Changes in Assets and Liabilities		
Changes in Current Assets (Increase) Decrease:		
Accounts Payable	-	-
Accrued Interest	(146)	(142)
Bond Issuance Costs	833	833
Net Cash Used by Operations	<u>\$ 384,298</u>	<u>\$ 371,461</u>

* For comparative purposes only

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated as of November 11, 2024, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

Cumberland Mountain Community Services
Schedule of Expenditures of Federal Awards - Cash Basis
For the Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Grant Identifier or Pass Through Entity Number	Disbursements/ Expenditures
Department of Health and Human Services:			
Pass through Payments:			
VA Department of Behavioral Health:			
Mental Health Block Grant (SED C&A)	93.958		69,962
Mental Health Block Grant (Adult SMI)	93.958		161,437
			<u>231,399</u>
Substance Abuse Block Grant (Alcohol/Drug Treatment)	93.959 *		970,448
Substance Abuse Block Grant (SARPOS Funding)	93.959 *		45,571
Substance Abuse Block Grant (Women)	93.959 *		221,793
Substance Abuse Block Grant (Prevention)	93.959 *		263,981
			<u>1,501,793</u>
Opioid Response - Recovery	93.788		223,914
Opioid Response - Treatment	93.788		240,184
Opioid Response - Prevention	93.788		75,466
			<u>539,564</u>
Total Department of Health and Human Services:			<u>2,272,756</u>
Department of Treasury:			
Direct Payments:			
Federal State & Local Fiscal Recovery Fund	21.027		323,944
Total Department of Treasury:			<u>323,944</u>
Department of Education:			
Pass through Payments:			
VA Department of Behavioral Health:			
Infants and Toddlers with Disabilities 09/30/22	84.181		54,397
Total Department of Education:			<u>54,397</u>
Department of Agriculture:			
Direct Payments:			
Community Facilities Loans and Grants	10.766	55 005 0540944560	320,909
Total Department of Agriculture:			<u>320,909</u>
Total Expenditures of Federal Awards			<u>\$ 2,972,006</u>

* Denotes Major Program

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Cumberland Mountain Community Services Board under programs of the federal government for the year ended June 30, 2024. The information in the 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 Cumberland Mountain Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of Cumberland Mountain Community Services Board.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

Cumberland Mountain Community Services Board has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance except for the SAMHSA Treatment Drug Court (15) Grant.

Note 4 – Pass-Through Entities

Pass-through entity identifying numbers are presented when available.

Note 5 – Awards to Subrecipients

No awards were passed to subrecipients for year ended June 30, 2024.

Note 6 – Loan Program Balances

The balance owed to the Department of Agriculture at June 30, 2024, is \$280,758 for Community Facilities Loans and Grants.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SCHEDULE OF INSURANCE

FOR THE YEAR ENDED JUNE 30, 2024

Insurance Coverage	Insurance Company / Agent/ Policy #	Policy Period	Limits of Liability		Deductible	Annual Premium
Property	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-24	7/1/2023 Through 7/1/2024	Real Property Personal Property Business Income	\$16,082,097 \$ 1,955,400 \$ 100,000	\$1,000 \$25,000 for Flood Earthquake	\$ 22,612
Inland Marine	Co: VACo Risk Mgmt Pol #: VA-CU-041B-24	7/1/2023 Through 7/1/2024	Inland Marine	\$ 15,113	\$1,000	Included
Computers Electronic Data Processing	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-24	7/1/2023 Through 7/1/2024	Hardware Software	\$ 1,098,606 \$ 80,000	\$1,000	\$ 1,372
Boiler & Machinery	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-24	7/1/2023 Through 7/1/2024	Direct Damage Business Income & Extra Expense Water Damage	\$25,000,000 \$ 1,000,000 \$ 250,000	\$1,000	\$ 2,037
General Liability	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-24	7/1/2023 Through 7/1/2024	Aggregate Occurrence Medical	None \$ 2,000,000 \$ 5,000/Pers \$ 10,000/ Accident	\$0	\$ 19,648
Public Officials Liability	Co: VACo Risk Mgmt Pol #: VA-CU-041B-24	7/1/2023 Through 7/1/2024	Occurrence Aggregate	\$ 2,000,000 \$ 2,000,000	\$5,000	\$ 7,922
Automobile Liability Physical Damage	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-24	7/1/2023 Through 7/1/2024	BI/PD Uninsured Motorist Medical Payments Non-Owned/Hired	\$ 2,000,000 Statutory \$ 5,000 \$ 1,000,000	\$250	\$ 63,029
Crime	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-24	7/1/2023 Through 7/1/2024	Employee Dishonesty Forgery or Alteration Money & Securities	\$ 250,000 \$ 250,000 \$ 250,000	\$250	\$ 775
Increased Limits – GL & Auto	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-24	7/1/2023 Through 7/1/2024	Occurrence Aggregate	\$ 3,000,000 \$ 3,000,000	None	\$ 8,129
Environmental Liability	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-24	7/1/2023 Through 7/1/2024	Above Ground Pollution Exposure	\$ 1,000,000	\$25,000	Included
Cyber Risk	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-24	7/1/2023 Through 7/1/2024	Per Occurrence Per Member Aggregate	\$ 500,000 \$ 5,000,000	None	\$ 900
Workers Compensation	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-24	7/1/2023 Through 7/1/2024	BI Each Accident BI by Disease (per person) BI by Disease (per accident)	\$ 1,000,000 \$ 1,000,000 \$ 1,000,000	N/A	\$105,456
Surety Bond	Co: National Grange Mutual Insurance Ag: MSA Group Pol. #: S02620464-Y	02/21/2024 Through 02/21/2025	Employee dishonesty	\$ 40,000	\$ 250	\$ 810
					Total	\$232,690

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SCHEDULE OF CHANGES IN NET PENSION OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2024

VRS Pension Supplementary Information

Schedule of Changes in CMCSB's Net Pension Liability and Related Ratios

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	\$ 871,376	\$ 781,449	\$ 900,884	\$ 913,995	\$ 911,214	\$ 881,534	\$ 886,085	\$ 882,836	\$ 906,042	\$ 859,063
Interest	3,494,675	3,325,781	3,071,183	2,852,076	2,728,138	2,573,714	2,465,328	2,356,207	2,198,322	2,064,113
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Changes of assumptions	-	-	1,206,045	-	1,405,728	-	(506,654)	-	-	-
Differences between expected and actual experience	756,742	527,177	(254,013)	1,249,569	(89,033)	155,625	(145,099)	(570,340)	145,698	-
Benefit Payments, including refunds of employee contributions	(2,416,314)	(2,028,088)	(1,839,383)	(1,699,816)	(1,653,126)	(1,156,521)	(1,146,049)	(1,073,609)	(915,521)	(1,096,278)
Net change in total pension liability	2,706,479	2,606,319	3,084,716	3,315,824	3,302,921	2,454,352	1,553,611	3,084,716	2,334,541	1,826,898
Total pension liability – beginning	52,109,741	49,503,422	46,418,706	43,102,882	39,799,961	37,345,609	35,791,998	34,196,904	31,862,363	30,035,465
Total pension liability – ending (a)	<u>\$54,816,220</u>	<u>\$52,109,741</u>	<u>\$49,503,422</u>	<u>\$46,418,706</u>	<u>\$43,102,882</u>	<u>\$39,799,961</u>	<u>\$37,345,609</u>	<u>\$35,791,998</u>	<u>\$34,196,904</u>	<u>\$31,862,363</u>
Plan fiduciary net position										
Contributions – employer	\$ 970,644	\$ 860,078	\$ 871,642	\$ 723,390	\$ 697,847	\$ 855,583	\$ 798,762	\$ 810,272	\$ 811,710	\$ 915,959
Contributions – employee	579,851	517,532	531,641	541,559	516,991	537,641	508,928	478,831	469,626	497,872
Net investment income	2,961,857	(44,208)	10,136,722	704,069	2,326,505	2,400,835	3,518,834	501,761	1,226,232	3,600,926
Benefit Payments, including refunds of employee contributions	(2,416,314)	(2,028,088)	(1,839,383)	(1,699,816)	(1,653,126)	(1,156,521)	(1,146,049)	(1,073,609)	(915,521)	(1,096,278)
Administrative expense	(29,625)	(29,072)	(24,968)	(23,876)	(22,829)	(20,119)	(19,757)	(17,053)	(16,190)	(18,968)
Other	1,190	1,081	959	(836)	(1,469)	(2,168)	(3,158)	(209)	(262)	189
Net change in plan fiduciary net position	2,067,603	(722,677)	9,676,613	244,490	1,863,919	2,615,251	3,657,560	699,993	1,575,595	3,899,700
Plan fiduciary net position – beginning	45,991,730	46,714,407	37,037,794	36,793,304	34,929,385	32,314,134	28,656,574	27,956,581	26,380,986	-
Plan fiduciary net position – ending (b)	<u>\$48,059,333</u>	<u>\$45,991,730</u>	<u>\$46,714,407</u>	<u>\$37,037,794</u>	<u>\$36,793,304</u>	<u>\$34,929,385</u>	<u>\$32,314,134</u>	<u>\$28,656,574</u>	<u>\$27,956,581</u>	<u>\$26,380,986</u>
CMCSB's net pension liability – ending (a) - (b)	<u>\$ 6,756,887</u>	<u>\$ 6,118,011</u>	<u>\$ 2,789,015</u>	<u>\$ 9,380,912</u>	<u>\$ 6,309,578</u>	<u>\$ 4,870,576</u>	<u>\$ 5,031,475</u>	<u>\$ 7,135,424</u>	<u>\$ 6,240,323</u>	<u>\$ 5,481,377</u>
Plan fiduciary net position as a percentage of the total pension liability	87.67%	88.26%	94.37%	79.79%	85.36%	87.76%	86.53%	80.06%	81.75%	82.80%
Covered employee payroll	\$12,264,840	\$11,204,362	\$11,294,464	\$11,551,398	\$10,895,628	\$11,145,314	\$10,260,082	\$ 9,442,444	\$ 9,402,810	\$ 9,706,990
CMCSB's net pension liability as a percentage of covered-employee payroll	55.09%	54.60%	24.69%	81.21%	57.91%	43.70%	49.04%	75.57%	66.37%	56.47%

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SCHEDULE OF CHANGES IN NET PENSION & OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2024

VRS Pension Supplementary Information (Continued)

Schedule of Employer Contributions
For the Years Ended June 30, 2015 through 2024

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
Date	(1)*	(2)*	(3)	(4)	(5)
2024	\$ 1,203,050	\$ 1,203,050	\$ -	\$ 13,844,072	8.69%
2023	\$ 1,065,815	\$ 1,065,815	\$ -	\$ 12,264,840	8.69%
2022	\$ 933,323	\$ 933,323	\$ -	\$ 11,204,362	8.33%
2021	\$ 940,828	\$ 940,828	\$ -	\$ 11,294,464	8.33%
2020	\$ 723,357	\$ 723,357	\$ -	\$ 11,551,398	6.26%
2019	\$ 697,867	\$ 697,867	\$ -	\$ 10,895,628	6.41%
2018	\$ 855,583	\$ 855,583	\$ -	\$ 11,145,314	7.68%
2017	\$ 798,762	\$ 798,762	\$ -	\$ 10,260,082	7.79%
2016	\$ 810,272	\$ 810,272	\$ -	\$ 9,442,444	8.58%
2015	\$ 816,707	\$ 816,707	\$ -	\$ 9,402,810	8.69%

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

Notes to Required Supplementary Information

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a 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
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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SCHEDULE OF CHANGES IN NET PENSION & OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2024

VRS Group Life Supplementary Information

**Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2017 through 2023**

	2023	2022	2021	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	.05210%	.05163%	.05495%	.05647%	.05575%	.055876%	.05583%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$624,843	\$621,675	\$639,767	\$942,392	\$907,201	\$892,000	\$840,000
Employer's Covered Payroll	\$12,271,396	\$11,230,210	\$11,347,778	\$11,621,960	\$10,895,628	\$11,145,314	\$10,260,082
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.09%	5.54%	5.64%	8.11%	8.33%	8.00%	8.19%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

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

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	\$ 74,771	\$ 74,771	\$ -	\$ 13,846,570	0.54%
2023	\$ 66,266	\$ 66,266	\$ -	\$ 12,271,396	0.54%
2022	\$ 60,643	\$ 60,643	\$ -	\$ 11,230,210	0.54%
2021	\$ 61,267	\$ 61,267	\$ -	\$ 11,347,778	0.54%
2020	\$ 60,414	\$ 60,414	\$ -	\$ 11,621,960	0.52%
2019	\$ 56,853	\$ 56,853	\$ -	\$ 10,895,628	0.52%
2018	\$ 58,104	\$ 58,104	\$ -	\$ 11,145,314	0.52%
2017	\$ 53,552	\$ 53,552	\$ -	\$ 10,260,082	0.52%
2016	\$ 45,444	\$ 45,444	\$ -	\$ 9,442,444	0.48%
2015	\$ 45,281	\$ 45,281	\$ -	\$ 9,402,810	0.48%

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SCHEDULE OF CHANGES IN NET PENSION & OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2024

VRS Group Life Supplementary Information (Continued)

Notes to Required Supplementary Information

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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 through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

VRS VLDP Supplementary Information

Schedule of Employer's Share of Net OPEB Liability Virginia Local Disability Program For the Measurement Dates of June 30, 2017 thru 2023

	2023	2022	2021	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.86689%	0.91116%	0.96022%	0.9661%	0.89930%	0.94509%	0.86242%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$(13,948)	\$(5,357)	\$(9,721)	\$9,649	\$18,218	\$7,000	\$5,000
Employer's Covered Payroll	\$5,305,980	\$4,268,620	\$3,859,038	\$3,601,796	\$2,779,028	\$2,294,833	\$1,583,667
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	(.2629)%	(.1255)%	(.2519)%	0.2679%	0.6556%	0.305%	0.3157%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	116.89%	107.99%	119.59%	76.84%	49.19%	51.39%	38.40%

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SCHEDULE OF CHANGES IN NET PENSION & OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2024

VRS VLDP Supplementary Information (Continued)

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	\$ 57,154	\$ 57,152	\$ -	\$ 6,723,740	0.85%
2023	\$ 45,101	\$ 45,101	\$ -	\$ 5,305,980	0.85%
2022	\$ 35,430	\$ 35,430	\$ -	\$ 4,268,620	0.83%
2021	\$ 32,016	\$ 32,016	\$ -	\$ 3,859,038	0.83%
2020	\$ 25,934	\$ 25,934	\$ -	\$ 3,601,796	0.72%
2019	\$ 20,009	\$ 20,009	\$ -	\$ 2,779,028	0.72%
2018	\$ 13,769	\$ 13,769	\$ -	\$ 2,294,833	0.60%
2017	\$ 9,502	\$ 9,502	\$ -	\$ 1,583,667	0.60%
2016	\$ 4,425	\$ 4,425	\$ -	\$ 737,500	0.60%
2015	\$ 1,545	\$ 1,545	\$ -	\$ 257,500	0.60%

Notes to Required Supplementary Information

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective 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 and Non-Hazardous Duty 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 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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SCHEDULE OF CHANGES IN NET PENSION & OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2024

Health Insurance Benefits for Retirees OPEB Supplementary Information Schedule of Changes in Total OPEB Liability and Related Ratios For Years Ending June 30, 2018 through 2024

	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 98,698	\$ 122,216	\$ 173,849	\$ 167,179	\$ 121,933	\$ 108,612	\$ 112,184
Interest on total OPEB liability	121,153	121,520	83,953	97,277	129,748	131,450	120,199
Effect of plan changes	-	-	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	67,587	-	(652,806)	-	-	-
Effect of assumption changes or inputs	(81,648)	(236,296)	(508,009)	9,087	517,505	144,322	(110,637)
Benefit payments	(159,686)	(170,345)	(134,553)	(150,097)	(89,637)	(84,875)	(73,300)
Net change in total OPEB liability	(21,483)	(95,318)	(384,760)	(529,360)	679,549	299,509	48,446
Total OPEB liability beginning	3,299,691	3,395,009	3,779,769	4,309,129	3,629,580	3,330,071	3,281,625
Total OPEB liability ending	3,278,208	3,299,691	3,395,009	3,779,769	4,309,129	3,629,580	3,330,071
Covered payroll	\$12,083,400	\$12,083,400	\$11,432,784	\$11,432,784	\$10,537,677	\$10,537,677	\$10,537,677
Total OPEB liability as a % of covered payroll	27.13%	27.31%	29.70%	33.06%	40.89%	34.44%	31.60%

Notes to Required Supplementary Information

Significant Changes: There have been no significant changes between the valuation date and fiscal year end.

COMPLIANCE REPORTS

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

To the Board of Directors
Cumberland Mountain Community Services Board
Cedar Bluff, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Cumberland Mountain Community Services Board, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Cumberland Mountain Community Services Board's basic financial statements, and have issued our report thereon dated November 11, 2024

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cumberland Mountain Community Services Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

A handwritten signature in blue ink, consisting of the letters 'HBC' in a stylized, cursive-like font.

HBC Certified Public Accountants
Abingdon, Virginia
November 11, 2024

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Juan J. Garcia, CPA
Michael W. Pennington, CPA
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Board of Directors
Cumberland Mountain Community Services Board
Cedar Bluff, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cumberland Mountain Community Services Board's ("CMCSB") 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 Cumberland Mountain Community Services Board's major federal programs for the year ended June 30, 2024. Cumberland Mountain Community Services Board's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Cumberland Mountain Community Services Board, 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, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding CMCSB's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CMCSB's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of CMCSB's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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



HBC Certified Public Accountants
Abingdon, Virginia
November 11, 2024

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

I. SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS:

An unqualified opinion was issued on the financial statements.

There were no material weaknesses in internal control over financial reporting to disclose.

There were no significant deficiencies in internal control over financial reporting to disclose.

The audit did not disclose any noncompliance material to the financial statements.

FEDERAL AWARDS:

There were no material weaknesses in internal control over major programs to disclose.

There were no significant deficiencies in internal control over major programs to disclose.

An unmodified opinion was issued on compliance for major programs.

The audit did not disclose any audit findings required to be reported in accordance with Uniform Guidance.

Major programs are:

93.959 Block Grants for Prevention and Treatment of Substance Abuse

The dollar threshold used to distinguish between Type A and Type B programs is \$750,000.

The auditee qualified as a low-risk auditee.

II. FINANCIAL STATEMENTS FINDINGS

- a. None

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

- a. None

IV. STATUS OF PRIOR AUDIT FINDINGS

- a. There were no prior year audit findings reported.