

**CUMBERLAND MOUNTAIN
COMMUNITY
SERVICES BOARD**

FINANCIAL STATEMENTS

June 30, 2023

CUMBERLAND MOUNTAIN COMMUNITY SERVICES

BOARD OF DIRECTORS

Ms. Cathy McClanahan	Chair
Dr. Maxine Mullins	Vice-Chair
Mr. James Mounts	Secretary
Ms. Frannie Minton	
Mr. Jared Smith	
Mr. Michael Jackson	
Mr. David Eaton	
Mr. Aaron Feeser	
Ms. April Morefield	

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, 2023

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, 2023.

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 377 employees in our three-county area. There are 286 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, 2023

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 \$3,890,730 for the current financial period.

LONG-TERM DEBT

Our long-term debt decreased by \$243,620 for the current financial period. Lease liabilities increased by \$94,217 for the financial period for leased vehicles. Subscription liabilities decreased by \$89,623 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, 2023

FINANCIAL POSITION SUMMARY

	<i>2023</i>	<i>2022, as Restated</i>	<i>Variance</i>
Assets:			
Current and other	\$ 22,340,696	\$ 18,155,373	\$ 4,185,323
Deferred Outflows - Pension & OPEB	3,046,754	3,554,629	(507,875)
Fixed Assets (net of depreciation)	10,573,517	10,601,821	(28,304)
Total Assets	<u>\$ 35,960,967</u>	<u>\$ 32,311,823</u>	<u>\$ 3,649,144</u>
Liabilities:			
Current Liabilities	\$ 1,892,069	\$ 1,325,060	\$ 567,009
Deferred Inflows - Pension & OPEB	2,749,958	6,593,893	(3,843,935)
Long-term Liabilities	14,736,156	11,700,816	3,035,340
Total Liabilities	<u>19,378,183</u>	<u>19,619,769</u>	<u>(241,586)</u>
Net Position:			
Net Investment in Capital Assets	6,879,576	6,607,578	271,998
Restricted State Funds	6,131,268	4,845,241	1,286,027
Restricted Other Funds	750,735	1,437,877	(687,142)
Unrestricted	2,821,205	(198,642)	3,019,847
Net Position:	<u>16,582,784</u>	<u>12,692,054</u>	<u>3,890,730</u>
Total Liabilities and Net Position	<u>\$ 35,960,967</u>	<u>\$ 32,311,823</u>	<u>\$ 3,649,144</u>

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

	<i>2023</i>	<i>2022, as Restated</i>	<i>Variance</i>
Operating Revenues	\$ 21,417,519	\$ 18,314,096	\$ 3,103,423
Operating Expenses	(27,430,984)	(24,164,392)	(3,266,592)
Excess before non-operating income and expenses	(6,013,465)	(5,850,296)	(163,169)
Appropriations	9,440,093	10,672,968	(1,232,875)
Interest Income	464,102	54,653	409,449
Change in Net Position	3,890,730	4,877,325	(986,595)
Beginning Net Position	12,692,054	7,814,729	4,877,325
Ending Net Position	<u>\$ 16,582,784</u>	<u>\$ 12,692,054</u>	<u>\$ 3,890,730</u>

WAGES AND FRINGE BENEFITS COSTS

	<i>2023</i>	<i>2022, as Restated</i>	<i>Variance</i>
Salaries and Wages	\$ 16,416,323	\$ 14,346,325	\$ 2,069,998
Fringe Benefits	1,299,307	1,295,419	3,888
Pension Plan Expense	1,038,257	358,498	679,759
GLI Expense	18,894	32,295	(13,401)
VLDP Expense	29,221	26,583	2,638
MI Expense	3,018,661	2,964,112	54,549
Total	<u>\$ 21,820,663</u>	<u>\$ 19,023,232</u>	<u>\$ 2,797,431</u>

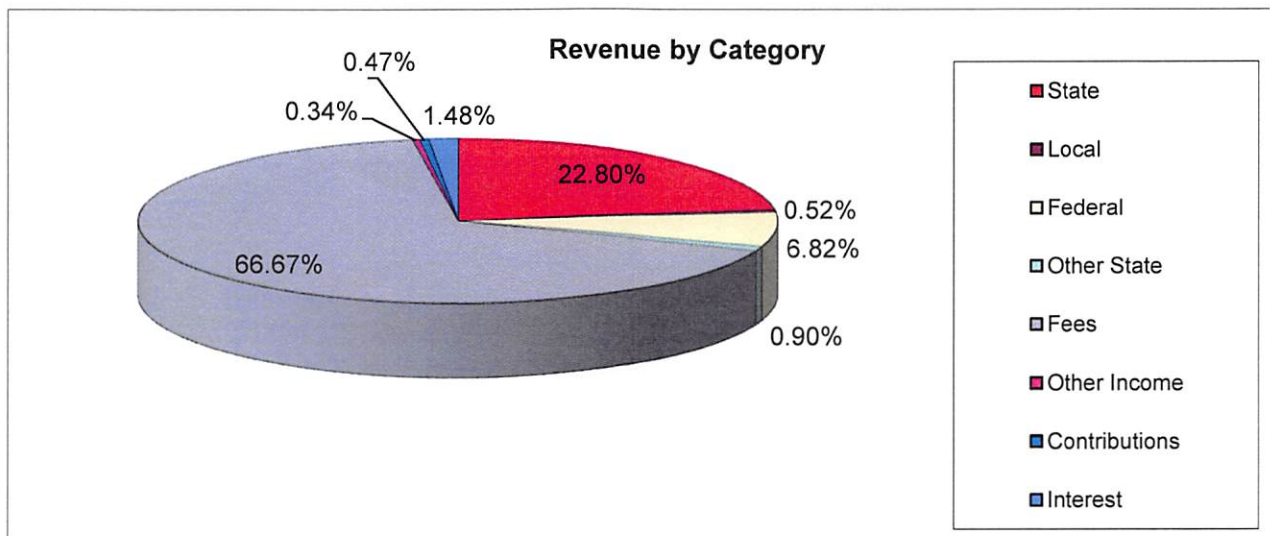
CAPITAL ASSETS

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, 2022, and June 30, 2023.

	Balance, as Restated June 30, 2022	Additions/ Deletions	Balance June 30, 2023
Land	\$ 618,665	\$ -	\$ 618,665
Buildings & Improvements	12,765,187	178,391	12,943,578
Vehicles	1,376,601	(241,485)	1,135,116
Leasehold Improvements	715,031	-	715,031
Intangible Right to Use - Leases	1,988,564	368,212	2,356,776
Intangible Right to Use - Subscriptions	461,998	-	461,998
Equipment and Furniture	\$ 1,922,223	\$ 239,952	\$ 2,162,175
Total	19,848,269	545,070	20,393,339
Less Accumulated Depreciation	9,246,448	573,374	9,819,822
Net Investment in Capital Assets	\$ 10,601,821	\$ (28,304)	\$ 10,573,517

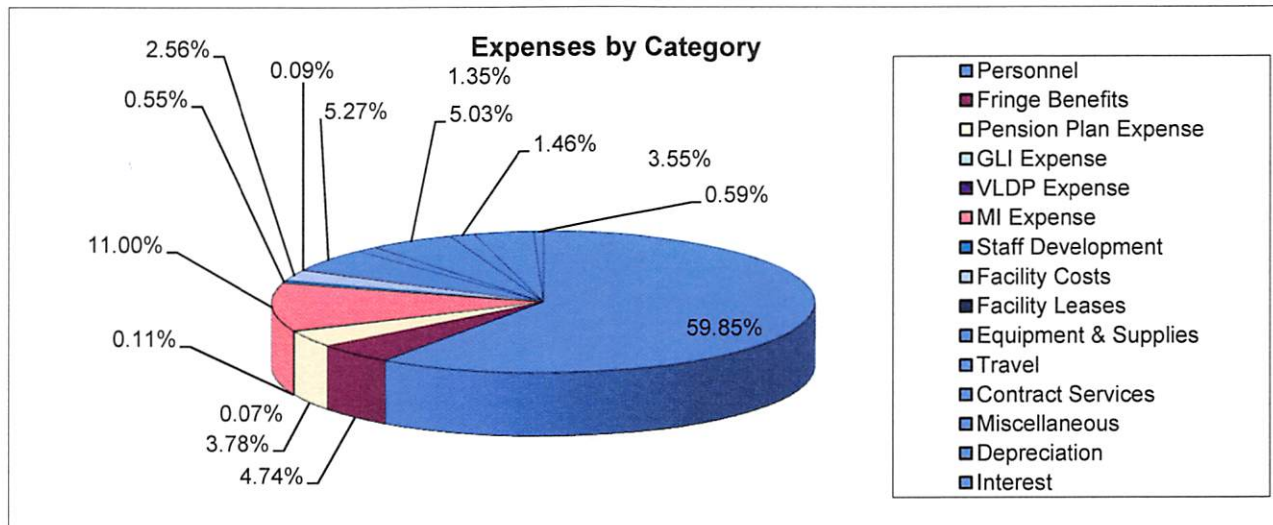
REVENUE SUMMARY BY CATEGORY

	2023	2022, as Restated	Variance
State	\$ 7,141,407	\$ 6,762,889	\$ 378,518
Local	161,796	129,996	31,800
Federal	2,136,890	3,780,083	(1,643,193)
Other State	280,535	257,124	23,411
Fees	20,882,989	17,827,793	3,055,196
Other Income	107,915	69,101	38,814
Contributions	146,080	160,078	(13,998)
Interest	464,102	54,653	409,449
Total	\$ 31,321,714	\$ 29,041,717	\$ 2,279,997



EXPENSE SUMMARY BY CATEGORY

	2023	2022, as Restated	Variance
Personnel	\$ 16,416,323	\$ 14,346,325	\$ 2,069,998
Fringe Benefits	1,299,307	1,295,419	3,888
Pension Plan Expense	1,038,257	358,498	679,759
GLI Expense	18,894	32,295	(13,401)
VLDP Expense	29,221	26,583	2,638
MI Expense	3,018,661	2,964,112	54,549
Staff Development	151,457	162,339	(10,882)
Facility Costs	702,693	600,245	102,448
Facility Leases	24,367	24,367	0
Equipment & Supplies	1,444,648	1,367,929	76,719
Travel	371,505	329,268	42,237
Contract Services	1,378,604	1,224,976	153,628
Miscellaneous	401,687	348,150	53,537
Depreciation	974,812	922,876	51,936
Interest	160,548	161,010	(462)
Total	<u>\$ 27,430,984</u>	<u>\$ 24,164,392</u>	<u>\$ 3,266,592</u>



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

	Units of Service	Number of Consumers	Total Cost
Mental Health:			
Acute Psychiatric	22	3	\$ 12,360
Outpatient	16,097	953	2,168,659
Medical	2,998	1,092	777,712
Case Management	27,435	1,825	3,541,623
Day Treatment	18	10	85,000
Rehabilitation	74,715	111	1,718,179
Residential Crisis Stabilization	742	115	576,042
Intensive Residential Services	153	1	38,158
Supportive Residential Services	174	8	141,831
Prevention	N/A	N/A	34,056
			<u>\$ 9,093,620</u>

Developmental Services:	<i>Units of Service</i>	<i>Number of Consumers</i>	<i>Total Cost</i>
Outpatient	12	3	\$ 991
Case Management	20,088	351	1,658,283
Habilitation	105,171	81	1,656,807
Community Intermediate Care Facilities	5,362	19	2,339,530
Intensive Residential - Group Homes	15,630	45	3,122,699
Supportive Residential Services	32,367	30	1,010,218
			\$ 9,788,528

Substance Abuse:	<i>Units of Service</i>	<i>Number of Consumers</i>	<i>Total Cost</i>
Outpatient	8,136	392	\$ 766,091
Medication Assisted Treatment Services	1,590	209	1,271,501
Case Management	4,894	314	261,484
Highly Intensive Residential Services	3,033	408	968,343
Prevention	N/A	N/A	402,968
			\$ 3,670,387

Part C Systems:	<i>Units of Service</i>	<i>Number of Consumers</i>	<i>Total Cost</i>
Early Intervention	11,433	362	\$ 866,436

Outside a Program Area:	<i>Units of Service</i>	<i>Number of Consumers</i>	<i>Total Cost</i>
Emergency	6,929	865	\$ 1,975,204
Consumer Run Services	N/A	24	7,000
			\$ 1,982,204

Administration & Program Support Costs			\$ 4,039,749
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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, 2023, 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, 2023, 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.

Change in Accounting Principle

CMCSB adopted new accounting guidance *GASB Statement No. 96, Subscription-Based Information Technology Arrangements*, as described in Notes 5, 6, and 18. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 2022 financial statements, on which, in our report dated November 11, 2022, we expressed an unmodified opinion. The 2022 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 10, 2023, 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.



Hicok, Brown and Company
Certified Public Accountants
November 10, 2023

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

Statements of Net Position

June 30, 2023 and 2022

Assets and Deferred Outflows of Resources		
CURRENT ASSETS:	<u>2023</u>	<u>2022, as Restated *</u>
Cash and Investments	\$ 19,018,830	\$ 15,178,893
Accounts Receivable, Net of allowance of \$416,655 and \$339,682 at June 30, 2023 and 2022 respectively	2,153,028	2,108,411
Receivable - CSB's	54,716	42,734
Receivable - DMAS Cost Reports	296,428	65,070
Miscellaneous Receivables	8,992	1,464
Due from DBHDS	91,586	-
Total Current Assets	<u>21,623,580</u>	<u>17,396,572</u>
Capital Assets		
(net of accumulated depreciation)	10,573,517	10,601,821
Prepaid Insurance	472,582	482,456
Prepaid Expense	62,011	74,538
St. Chivas Loan	5,990	-
Assets held for Trust Beneficiaries	86,789	109,109
Assets held for Outside Entities	89,744	92,698
Total Other Noncurrent Assets	<u>717,116</u>	<u>758,801</u>
Deferred Outflows - Pension Liability	2,430,026	2,883,285
Deferred Outflows - GLI OPEB	158,597	206,502
Deferred Outflows - VLDP OPEB	53,352	42,118
Deferred Outflows - MI OPEB	404,779	422,724
TOTAL ASSETS	<u>\$ 35,960,967</u>	<u>\$ 32,311,823</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 244,253	\$ 236,745
Current portion of accrued leave	193,417	210,412
Current portion of lease liability	305,248	380,489
Current portion of subscription liability	89,624	83,167
Accounts Payable - Operations	85,351	118,106
Accrued Wages	783,615	51,920
Payroll Withholdings	29,656	43,730
Due to VRS	148,873	129,154
Miscellaneous Payable	159	374
Accrued Interest	2,433	2,709
Deferred Revenue	4,025	28,580
Deferred Lease Payments	5,415	2,967
Due to DMAS Cost Reports	-	36,707
Total Current Liabilities	<u>1,892,069</u>	<u>1,325,060</u>
LONG-TERM LIABILITIES:		
Due to Trust Beneficiaries	86,789	109,109
Net Pension Liability	6,118,011	2,789,015
Net GLI OPEB Liability	621,675	639,767
Net VLDP OPEB Liability	(5,357)	(9,721)
Net MI OPEB Liability	3,299,691	3,395,009
Long-term debt - less current portion	1,904,416	2,148,036
Long-term lease liability - less current portion	913,281	819,064
Long-term subscription liability - less current portion	237,119	326,742
Bond Issuance Capitalized Costs	(6,736)	(7,569)
Accrued leave - less current portion	1,567,267	1,491,364
Total Long-Term Liabilities	<u>14,736,156</u>	<u>11,700,816</u>
Deferred Inflows - Pension Liability	1,455,673	5,265,417
Deferred Inflows - GLI OPEB	196,025	288,912
Deferred Inflows - VLDP OPEB	13,884	22,896
Deferred Inflows - MI OPEB	1,084,376	1,016,668
NET POSITION:		
Net Investment in Capital Assets	6,879,576	6,607,578
Restricted State Funds	6,131,268	4,845,241
Restricted Other Funds	750,735	1,437,877
Unrestricted	2,821,205	(198,642)
Total Net Position	<u>16,582,784</u>	<u>12,692,054</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 35,960,967</u>	<u>\$ 32,311,823</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, 2023 and 2022

OPERATING REVENUES:	<u>2023</u>	<u>2022, as Restated *</u>
Net client fees and insurance reimbursement	\$ 20,882,989	\$ 17,827,793
Other Income	253,995	229,179
Miscellaneous State Funds	280,535	257,124
TOTAL OPERATING REVENUES	<u>21,417,519</u>	<u>18,314,096</u>
OPERATING EXPENSES:		
Personnel	16,416,323	14,346,325
Fringe Benefits	1,299,307	1,295,419
Pension Plan Expense	1,038,257	358,498
GLI Expense	18,894	32,295
VLDP Expense	29,221	26,583
MI Expense	3,018,661	2,964,112
Staff Development	151,457	162,339
Facility Costs	702,693	600,245
Facility Leases	24,367	24,367
Equipment & Supplies	1,444,648	1,367,929
Travel	371,505	329,268
Contract Services	1,378,604	1,224,976
Miscellaneous	401,687	348,150
Interest Expense	160,548	161,010
Depreciation and Amortization	974,812	922,876
TOTAL OPERATING EXPENSES	<u>27,430,984</u>	<u>24,164,392</u>
OPERATING INCOME (LOSS)	(6,013,465)	(5,850,296)
NON-OPERATING INCOME:		
Appropriations:		
Appropriations from the Commonwealth of VA	7,141,407	6,762,889
Appropriations from Local Government	161,796	129,996
Appropriations from Federal Government	2,136,890	3,780,083
Gain/(Loss) on Sale of Assets	-	-
Interest Income	464,102	54,653
TOTAL NON-OPERATING INCOME	<u>9,904,195</u>	<u>10,727,621</u>
CHANGE IN NET POSITION	3,890,730	4,877,325
NET POSITION - Beginning of Year	<u>12,692,054</u>	<u>7,814,729</u>
NET POSITION - End of Year	<u>\$ 16,582,784</u>	<u>\$ 12,692,054</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, 2023 and 2022

	<u>2023</u>	<u>2022, as Restated *</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts for Client Services	\$ 20,607,014	\$ 17,733,817
Receipts for Miscellaneous	529,956	506,033
Payments to Employees	(15,625,720)	(14,755,140)
Payments to Vendors	(10,061,873)	(9,340,690)
Interest Payments on Debt	(159,715)	(160,176)
Net Cash Used by Operations	<u>(4,710,338)</u>	<u>(6,016,156)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State and Federal Appropriations	9,174,729	10,542,972
Local Government Appropriations	161,796	129,996
Net Cash from Non-Capital Financing Activities	<u>9,336,525</u>	<u>10,672,968</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
(Increase)/Decrease in due from St. Benedicts	-	-
(Increase)/Decrease in due from St. Chivas	(5,990)	5,808
Payment on debt and leases	(750,211)	(687,318)
Purchase of capital assets	(494,151)	(49,856)
Net Cash Used by Capital and Related Financing Activities	<u>(1,250,352)</u>	<u>(731,366)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest Income	464,102	54,653
Net Cash From Investing Activities	<u>464,102</u>	<u>54,653</u>
Net Change in Cash and Cash Equivalents	3,839,937	3,980,099
Balance - Beginning of the Year	15,178,893	11,198,794
Balance - End of the Year	<u>\$ 19,018,830</u>	<u>\$ 15,178,893</u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH FROM OPERATING ACTIVITIES:		
Operating Income (loss)	\$ (6,013,465)	\$ (5,850,296)
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and Amortization	974,812	922,876
Changes in Assets and Liabilities		
Changes in Current Assets (Increase) Decrease:		
Accounts Receivable	(44,617)	(241,431)
Receivable DMAS - Cost Reports	(231,358)	147,455
Miscellaneous Receivables	(7,528)	20,169
Prepaid Insurance	9,874	86,419
Prepaid Expense	12,527	(26,539)
Deferred Outflows - Pension Liability	453,259	888,476
Deferred Outflows - GLI OPEB	47,905	45,751
Deferred Outflows - VLDP OPEB	(11,234)	(156)
Deferred Outflows - MI OPEB	17,945	77,938
Restricted Cash - Outside Entities	2,954	(439)

* 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, 2023 and 2022

	<u>2023</u>	<u>2022, as Restated *</u>
Changes in Current Liabilities Increase (Decrease):		
Accounts Payable	\$ (32,755)	\$ (169,274)
Accrued Wages	731,695	(1,917)
Current Portion of Accrued Leave	(16,995)	(240,787)
Payroll Withholdings	(14,074)	521
Miscellaneous Payable	(215)	326
Deferred Revenue	(24,555)	20,221
Due to DMAS - Cost Reports	(36,707)	36,707
Due to VRS	19,719	(1,179)
Accrued Interest Expense	(276)	(267)
Bond Issuance Costs	833	834
Net Pension Liability	3,328,996	(6,591,897)
Net GLI OPEB Liability	(18,092)	(302,625)
Net VLDP OPEB Liability	4,364	(19,370)
Net MI OPEB Liability	(95,318)	(384,760)
Deferred Inflows - Pension Liability	(3,809,744)	5,128,436
Deferred Inflows - GLI OPEB	(92,887)	228,147
Deferred Inflows - VLDP OPEB	(9,012)	10,645
Deferred Inflows - MI OPEB	67,708	365,971
Long-term portion of accrued leave	75,903	(166,111)
Net Cash Used by Operations	<u>\$ (4,708,315)</u>	<u>\$ (6,016,156)</u>
 Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Assets acquired under capital leases	\$ 452,357	\$ 461,998
Total noncash capital and related financing activities	<u>\$ 452,357</u>	<u>\$ 461,998</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, 2023

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 2022 has been presented for comparative purposes in financial statements and notes and have been restated to reflect new GASB pronouncements that took effect in fiscal year June 30, 2023.

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, 2023

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
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, 2023

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>2023</u>	<u>2022</u>
Carrying Value	\$19,185,642	\$15,379,120
Balance	\$19,911,552	\$16,101,082
Collateralized Balance	\$19,911,552	\$16,101,082

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, 2023 and 2022.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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>2023</u>	<u>2022</u>
Current assets, excluding non-financial assets, at year end	\$ 22,340,696	\$ 18,155,373
Less: Prepaid expenses	(534,593)	(512,535)
Assets held for Trust Beneficiaries	(86,789)	(109,109)
Assets held for Outside Entities	<u>(89,744)</u>	<u>(92,698)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 21,629,570</u>	<u>\$ 17,441,031</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 \$416,655 for 2023 and \$339,682 for 2022.

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, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance, as Restated <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>
<u>Capital Assets</u>							
Land	\$ 618,665	\$ -	\$ -	\$ 618,665	\$ -	\$ -	\$ 618,665
Building & Improvements	12,762,692	2,495	-	12,765,187	178,391	-	12,943,578
Vehicles	1,376,601	-	-	1,376,601	148,531	390,016	1,135,116
Leasehold Improvements	715,031	-	-	715,031	-	-	715,031
Intangible right-to-use - Leases	1,988,564	-	-	1,988,564	452,357	84,145	2,356,776
Intangible right-to-use - Software	-	461,998	-	461,998	-	-	461,998
Equipment and Furniture	1,876,060	47,361	1,198	1,922,223	251,374	11,422	2,162,175
Total	<u>19,337,613</u>	<u>511,854</u>	<u>1,198</u>	<u>19,848,269</u>	<u>1,030,653</u>	<u>485,583</u>	<u>20,393,339</u>
<u>Less: Accumulated Depreciation and Amortization</u>							
Building & Improvements	4,771,253	309,314	-	5,080,567	310,182	-	5,390,749
Vehicles	1,376,438	163	-	1,376,601	84,735	390,016	1,071,320
Leasehold Improvements	317,591	15,920	-	333,511	26,224	-	359,735
Intangible right-to-use - Leases	427,295	415,882	-	843,177	418,933	80,114	1,181,996
Intangible right-to-use - Software	-	61,600	-	61,600	92,400	-	154,000
Equipment and Furniture	1,432,193	119,997	1,198	1,550,992	122,452	11,422	1,662,022
Total	<u>8,324,770</u>	<u>922,876</u>	<u>1,198</u>	<u>9,246,448</u>	<u>1,054,926</u>	<u>481,552</u>	<u>9,819,822</u>
Net Investment in Fixed Assets	<u>\$11,012,843</u>	<u>\$ (411,022)</u>	<u>\$ -</u>	<u>\$10,601,821</u>	<u>\$ (24,273)</u>	<u>\$ 4,031</u>	<u>\$10,573,517</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023 and June 30, 2022, the net book value of Intangible Right to Use Leases – Vehicles is \$710,047 and \$577,796, respectively. The net book value as of June 30, 2023 and June 30, 2022 for the Intangible Right to Use Leases – Buildings is \$464,733 and \$567,591, 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, 2023 and June 30, 2022, the net book value of Intangible Right to Use - Subscriptions is \$307,998 and \$400,398, 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, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</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.	\$ 285,096	\$ 319,024
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>35,813</u>	<u>40,271</u>
Total Laurel's Project	\$ 320,909	\$ 359,295
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 @ 3.0% interest amortized over a total of 180 months. There were Bond issuance costs of \$12,500 which are being amortized over 180 months.	<u>\$ 1,827,760</u>	<u>\$ 2,025,486</u>
Total Debt	\$ 2,148,669	\$ 2,384,781
Less Current Portion	<u>244,253</u>	<u>236,745</u>
Long-Term Debt	<u>\$ 1,904,416</u>	<u>\$ 2,148,036</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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>
2024	\$ 244,253	\$ 63,356
2025	252,027	55,582
2026	260,058	47,551
2027	268,355	39,254
2028	276,927	30,682
2029 - 2032	847,049	38,940
	<u>\$ 2,148,669</u>	<u>\$ 275,365</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, 2023, no payments were required.

A detail of long-term leases at June 30, 2023 and 2022 is as follows:

2023

2022

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.

\$ 725,273

\$ 609,504

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

326,743

409,909

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.

471,769

528,441

Appalachian Capital Investments, LLC - five-year capitalized lease. Monthly interest and principal payments of \$1,950 at 4.25% amortized Over a total of 60 months.

15,409

37,720

C & J Partnership - ten-year capitalized lease. Monthly interest and principal payments of \$1,545 – \$1,639.09 at 4.25% amortized over a total of 120 months.

\$ 6,078

\$ 23,888

Total Lease Liability

\$ 1,545,272

\$ 1,609,462

Less Current Portion

394,872

463,656

Long-term lease liability

\$ 1,150,400

\$ 1,145,806

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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:	Leases		Subscriptions	
	Principal	Interest	Principal	Interest
2024	\$ 305,248	\$ 57,816	\$ 89,624	\$ 20,776
2025	242,072	43,254	96,581	13,819
2026	169,209	32,203	104,079	6,321
2027	153,946	23,073	36,459	342
2028	156,234	13,902	-	-
2029-2030	191,820	6,913	-	-
	<u>\$ 1,218,529</u>	<u>\$ 177,161</u>	<u>\$ 326,743</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). Compensatory and flex time in excess of 240 hours must be paid to employees. These amounts in excess of 240 hours are listed as Short-term Liabilities. CMCSB's outstanding compensated absences obligation is as follows:

	<u>2023</u>	<u>2022</u>
Amount available for buy-out (short-term)	\$ 193,417	\$ 210,412
Amount carried over (long-term)	<u>1,567,267</u>	<u>1,491,364</u>
	<u>\$1,760,684</u>	<u>\$1,701,776</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, 2023

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 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, 2021, 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	136
Inactive members:	
Vested	29
Non-Vested	77
LTD	0
Inactive members active elsewhere in VRS	51
Total Inactive Members	<u>157</u>
Active Members	<u>286</u>
Total Covered Employees	<u><u>579</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, 2023, 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 \$970,635 and \$860,078 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For CMCSB, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5%
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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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 of 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, 2023

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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS – Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP – Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	Expected arithmetic nominal return *		7.83%

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2021	\$ 49,503,422	\$ 46,714,407	\$ 2,789,015
Changes for the year:			
Service Cost	781,449	-	781,449
Interest	3,325,781	-	3,325,781
Benefit Changes	-	-	-
Differences between expected and actual experiences	527,177	-	527,177
Assumption Changes	-	-	-
Contributions – employer	-	860,078	(860,078)
Contributions – employee	-	517,532	(517,532)
Net investment income	-	(44,208)	44,208
Benefit payments, including refunds			
refunds of employee contributions	(2,028,088)	(2,028,088)	-
Administrative expenses	-	(29,072)	29,072
Other changes	-	1,081	(1,081)
Net changes	2,606,319	(722,677)	3,328,996
Balances at June 30, 2022	\$ 52,109,741	\$ 45,991,730	\$ 6,118,011

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%)
Plan's Net Pension Liability	\$ 13,732,955	\$ 6,118,011	\$ (3,288)

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

For the year ended June 30, 2023, the CMCSB recognized pension expense of \$943,146. At June 30, 2023 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	\$ 734,698	\$ 130,038
Changes in assumptions	724,693	-
Net difference between projected and actual earnings on pension plan investments	-	1,325,635
Employer contribution subsequent to the measurement date	970,635	-
Total	\$ 2,430,026	\$ 1,455,673

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

\$970,635 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Schedule of Amortization of Deferred Inflows and Outflows of Resources

Year Ended June 30:	
Year 1 2024	\$316,126
Year 2 2025	(143,275)
Year 3 2026	(804,041)
Year 4 2027	634,908
Year 5 2028	-

Pension Plan Data

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

Payables to the Pension Plan

At June 30, 2023, a payable in the amount of \$130,522 was due to VRS for the June, 2023 legally required contributions to the pension plan. This was drafted by VRS on July 10, 2023.

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, 2023

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, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$66,253 and \$60,643 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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

At June 30, 2023, CMCSB reported a liability of \$621,675 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022, and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .05163% as compared to .05495% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$18,894. 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, 2023

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,229	\$ 24,940
Net difference between projected and actual earnings on GLI OPEB program investments	-	38,846
Change in assumptions	23,187	60,554
Changes in proportionate share	19,928	71,685
Employer contributions subsequent to the measurement date	66,253	-
Total	\$ 158,597	\$ 196,025

\$66,253 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30

FY 2024	\$ (16,431)
FY 2025	\$ (24,600)
FY 2026	\$ (43,661)
FY 2027	\$ (6,655)
FY 2028	\$ (12,334)
Thereafter	\$ -

Actuarial Assumptions

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

Inflation	2.5%
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, 2023

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 year.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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, 2023

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, 2022, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	<u>2,467,989</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

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

Long-Term Expected Rate of Return

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

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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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

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

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

Discount Rate

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

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

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

	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	\$904,610	\$621,675	\$393,025

Group Life Insurance Program Fiduciary Net Position

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

Payables to the VRS Group Life Insurance OPEB Plan

At June 30, 2023, CMCSB reported a payable of \$14,176 for the outstanding amount of contributions to the group life insurance plan required for the year ended June 30, 2023. This was drafted by VRS on July 10, 2023.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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:	
• 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, 2023

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, 2023, 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 \$45,103 and \$35,430 for the years ended June 30, 2023 and June 30, 2022, 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, 2023

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

At June 30, 2023, the political subdivision reported a negative liability of \$5,357 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, 2022, 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was 0.91116% as compared to 0.96022% at June 30, 2021.

For the year ended June 30, 2023, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$29,221. 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, 2023, 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	\$ 7,532	\$ 11,463
Net difference between projected and actual earnings on Political Subdivision VLDP OPEB program investments	-	23
Change in assumptions	205	1,922
Changes in proportion	512	476
Employer contributions subsequent to the measurement date	45,103	-
Total	\$ 53,352	\$ 13,884

\$45,103 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, 2024. 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 2024	\$ (466)
FY 2025	\$ (535)
FY 2026	\$ (2,502)
FY 2027	\$ 291
FY 2028	\$ (364)
Thereafter	\$ (2,059)

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5 percent
Salary increases, including inflation – Political Subdivision Employees	3.5 percent – 5.35 percent
Investment rate of return	6.75 percent, 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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2022, 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	\$ 7,360
Plan Fiduciary Net Position	<u>7,948</u>
Political Subdivision Employee VLDP Net OPEB Liability (Asset)	<u>\$ (588)</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability	107.99%

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, 2023

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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS – Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP – Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	** Expected arithmetic nominal return		7.83%

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

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

Discount Rate

The discount rate used to measure the total 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, 2022, 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 actuarially determined contribution rate. From July 1, 2022, 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, 2023

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%)
Current employers proportionate share of the VRS Political Subdivision Employee VLDP OPEB Plan Net OPEB Liability	\$ 568	\$ (5,357)	\$ (10,502)

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 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

At June 30, 2023, CMCSB reported a payable of \$4,175 for the outstanding amount of contributions to the Virginia Local Disability Program plan required for the year ended June 30, 2023. This was drafted by VRS on July 10, 2023.

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, 2023

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, 2022.

<u>Plan</u>	<u>Retiree</u>	<u>Dual</u>	<u>Family</u>
Key Advantage 500 with Comprehensive Dental	\$ 841.00	\$ 1,556.00	\$ 2,271.00
Key Advantage 500 with Preventative Dental	\$ 824.00	\$ 1,524.00	\$ 2,225.00
Key Advantage 65 (with Dental and Vision)	\$ 206.00	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, 2023

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, 2023 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

3.65% based on the Bond Buyer General Obligation 20-Bond Municipal Index. (This compares to a 3.54% discount rate used to measure the plan's June 30, 2022, Total OPEB Liability.)

Other Key Actuarial Assumptions

Valuation Date	July 1, 2022
Measurement Date	June 30, 2023
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, 2023

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, 2022	\$ 3,395,009
Changes for the year:	
Service cost	122,216
Interest on total OPEB liability	121,520
Effect of plan changes	-
Effect of economic/demographic gains or losses	67,587
Effect of assumptions changes or inputs	(236,296)
Benefit payments	(170,345)
Balance as of June 30, 2023	<u>\$ 3,299,691</u>

Sensitivity Analysis

The following presents the total OPEB liability of CMCSB, calculated using the discount rate of 3.65%, 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 (2.65%) or 1 percentage point higher (4.65%) than the current rate.

	1% Decrease 2.65%	Discount Rate 3.65%	1% Increase 4.65%
Total OPEB Liability	\$3,609,516	\$3,299,691	\$3,020,838

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	\$2,924,209	\$3,299,691	\$3,747,360

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

For the year ended June 30, 2023, CMCSB recognized an OPEB expense of \$160,680.

At June 30, 2023, 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	\$ (442,224)	\$ 59,993
Changes of assumptions	(642,152)	344,786
Total	<u>\$ (1,084,376)</u>	<u>\$ 404,779</u>

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

Year ended June 30:	
2024	\$ (83,056)
2025	(83,056)
2026	(83,056)
2027	(83,056)
2028	(122,850)
Thereafter*	(224,523)

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023, 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>
2024	\$ 455,754	\$ -	\$ 455,754
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
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>2023</u>	<u>2022</u>
Tazewell County	\$ 101,800	\$ 70,000
Russell County	39,996	39,996
Buchanan County	<u>20,000</u>	<u>20,000</u>
Local Government Appropriations	\$ 161,796	\$ 129,996
Russell County Public Schools	24,367	23,367
Feeding America	119,253	112,411
General Public	<u>2,460</u>	<u>23,300</u>
	<u>\$ 307,876</u>	<u>\$ 290,074</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023 & 2022

Assets:	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash	\$ 1,093,852	\$ 1,028,915
Total Current Assets	<u>1,093,852</u>	<u>1,028,915</u>
Noncurrent Assets:		
Capital Assets (net of accumulated depreciaton	<u>5,397,246</u>	<u>5,522,969</u>
Total Noncurrent Assets	<u>5,397,246</u>	<u>5,522,969</u>
Total Assets	<u>\$ 6,491,098</u>	<u>\$ 6,551,884</u>
Liabilities:		
Current Liabilities:		
Accrued Interest	\$ 1,310	\$ 1,452
Due to Cumberland Mountain CSB	-	11,830
Bond Issuance Capitalized Costs	(833)	(833)
Current Portion of Long-Term Debt	<u>197,726</u>	<u>204,100</u>
Total Current Liabilities	<u>198,203</u>	<u>216,549</u>
Long-Term Liabilities:		
Bond Issuance Capitalized Costs	(5,903)	(6,736)
Long-Term Debt - less current portion	<u>1,630,034</u>	<u>1,821,386</u>
Total Long-Term Liabilities	<u>1,624,131</u>	<u>1,814,650</u>
Total Liabilities	<u>1,822,334</u>	<u>2,031,199</u>
Net Position:		
Net Investment in Capital Assets	3,574,912	3,503,600
Unrestricted	<u>1,093,852</u>	<u>1,017,085</u>
Total Fund Equity	<u>4,668,764</u>	<u>4,520,685</u>
Total Liabilities and Fund Equity	<u>\$ 6,491,098</u>	<u>\$ 6,551,884</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 15 – BLENDED COMPONENT UNIT (Continued)

St. Benedicts Corporation
Statements of Revenues, Expenditures, and Changes
In Net Position
For the years ended June 30, 2023 & 2022

	<u>2023</u>	<u>2022</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	56,802	61,131
Repairs & Maintenance	20,649	399
Depreciation	223,503	220,710
Miscellaneous	100	100
TOTAL OPERATING EXPENDITURES	<u>308,487</u>	<u>289,773</u>
OPERATING INCOME (LOSS)	<u>147,267</u>	<u>165,981</u>
NON-OPERATING INCOME:		
Gain/(Loss) on Sale of Assets	-	-
Interest Income	812	279
Change in Net Position	148,079	166,260
Beginning Net Position	4,520,685	4,354,425
Ending Net Position	<u>\$ 4,668,764</u>	<u>\$ 4,520,685</u>

St. Benedicts Corporation
Statements of Cash Flows (Direct Method)
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts for Rental Income	\$ 455,754	\$ 455,754
Receipts for Miscellaneous	0	0
Payments to Vendors	(28,182)	(7,932)
Interest Payments on Debt	(56,111)	(60,434)
Net Cash Used by Operations	<u>371,461</u>	<u>387,388</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of debt	-	-
Payment on debt	(197,726)	(193,402)
Purchase of capital assets	(97,780)	(7,449)
Net Cash Used by Capital and Related Financing Activities	<u>(295,506)</u>	<u>(200,851)</u>

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 15 – BLENDED COMPONENT UNIT (Continued)

CASH FLOW FROM INVESTING ACTIVITIES:

Interest Income	\$ 812	\$ 279
Gain/(Loss) on Asset Disposal	-	-
Due to Cumberland Mountain CSB	(11,830)	4,323
Net Cash From Investing Activities	<u>(11,018)</u>	<u>4,602</u>
Net Change in Cash and Cash Equivalents	64,937	191,139
Balance - Beginning of the Year	1,028,915	837,776
Balance - End of the Year	<u>\$ 1,093,852</u>	<u>\$ 1,028,915</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:

Operating Income (loss)	\$ 147,267	\$ 165,981
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	223,503	220,710
Changes in Assets and Liabilities		
Changes in Current Assets (Increase) Decrease:		
Accounts Payable	-	-
Accrued Interest	(142)	(137)
Bond Issuance Costs	833	834
Net Cash Used by Operations	<u>\$ 371,461</u>	<u>\$ 387,388</u>

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated as of November 10, 2023, which is the date the financial statements were available to be issued.

NOTE 17 – RISKS AND UNCERTAINTIES

DMAS has delayed the release of MR reports for our two ICF/IID programs that are used to calculate the amount due to or from DMAS. A definite date of release has not been determined. The MR report numbers could change the calculation of the due to or due from DMAS.

NOTE 18 – PRIOR PERIOD ADJUSTMENTS AND RESTATED 2022 BALANCES

Cumberland Mountain Community Services Board restated net position for June 30, 2022 balances for the implementation of GASB 96, Subscription Based Information Agreements. This amounted to a \$9,511 decrease in net position for the year ended June 30, 2022.

Increase SBITA right-to-use asset	\$ 461,998
Increase accumulated amortization	(61,600)
Increase SBITA liability	<u>(409,909)</u>
Increase in Net Position	<u>\$ (9,511)</u>

SUPPLEMENTAL INFORMATION

Cumberland Mountain Community Services
Schedule of Expenditures of Federal Awards - Cash Basis
For the Year Ended June 30, 2023

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:			
Direct Payments:			
HRSA Provider Relief	93.498 *		\$ 840,055
Pass through Payments:			
VA Department of Behavioral Health:			
Mental Health Block Grant (SED C&A)	93.958		195,612
Mental Health Block Grant (Adult SMI)	93.958		99,829
Mental Health Block Grant (Suicide)	93.958		50,000
			<u>345,441</u>
Substance Abuse Block Grant (Alcohol/Drug Treatment)	93.959 *		1,068,750
Substance Abuse Block Grant (SARPOS Funding)	93.959 *		45,571
Substance Abuse Block Grant (Women)	93.959 *		169,601
Substance Abuse Block Grant (Prevention)	93.959 *		277,083
			<u>1,561,005</u>
Opioid Response - Recovery	93.788		255,723
Opioid Response - Treatment	93.788		273,949
Opioid Response - Prevention	93.788		86,246
			<u>615,918</u>
Total Department of Health and Human Services:			<u>3,362,419</u>
Department of Treasury:			
Direct Payments:			
Federal State & Local Fiscal Recovery Fund	21.027		116,000
Total Department of Treasury:			<u>116,000</u>
Department of Education:			
Pass through Payments:			
VA Department of Behavioral Health:			
Infants and Toddlers with Disabilities 09/30/22	84.181		60,385
Total Department of Education:			<u>60,385</u>
Department of Agriculture:			
Direct Payments:			
Community Facilities Loans and Grants	10.766	55 005 0540944560	359,295
Total Department of Agriculture:			<u>359,295</u>
Total Expenditures of Federal Awards			<u>\$ 3,898,099</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, 2023

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, 2023. 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

93.958 MH Block Grant – Suicide funds in the amount of \$50,000 were transferred to Mount Rogers CSB.

Note 6 – Loan Program Balances

The balance owed to the Department of Agriculture at June 30, 2023, is \$320,908 for Community Facilities Loans and Grants.

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SCHEDULE OF INSURANCE

FOR THE YEAR ENDED JUNE 30, 2023

Insurance Coverage	Insurance Company / Agent/ Policy #	Policy Period	Limits of Liability		Deductible	Annual Premium
Property	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-22	7/1/2022 Through 7/1/2023	Real Property Personal Property Business Income	\$16,082,097 \$ 1,955,400 \$ 100,000	\$1,000 \$25,000 for Flood Earthquake	\$ 20,734
Inland Marine	Co: VACo Risk Mgmt Pol #: VA-CU-041B-22	7/1/2022 Through 7/1/2023	Inland Marine	\$ 15,113	\$1,000	Included
Computers Electronic Data Processing	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-22	7/1/2022 Through 7/1/2023	Hardware Software	\$ 1,098,606 \$ 80,000	\$1,000	\$ 1,372
Boiler & Machinery	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-22	7/1/2022 Through 7/1/2023	Direct Damage Business Income & Extra Expense Water Damage	\$25,000,000 \$ 1,000,000 \$ 250,000	\$1,000	\$ 1,840
General Liability	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-22	7/1/2022 Through 7/1/2023	Aggregate Occurrence Medical	None \$ 2,000,000 \$ 5,000/Pers \$ 10,000/ Accident	\$0	\$ 20,461
Public Officials Liability	Co: VACo Risk Mgmt Pol #: VA-CU-041B-22	7/1/2022 Through 7/1/2023	Occurrence Aggregate	\$ 2,000,000 \$ 2,000,000	\$5,000	\$ 7,922
Automobile Liability Physical Damage	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-22	7/1/2022 Through 7/1/2023	BI/PD Uninsured Motorist Medical Payments Non-Owned/Hired	\$ 2,000,000 Statutory \$ 5,000 \$ 1,000,000	\$250	\$ 57,276
Crime	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-22	7/1/2022 Through 7/1/2023	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-22	7/1/2022 Through 7/1/2023	Occurrence Aggregate	\$ 3,000,000 \$ 3,000,000	None	\$ 7,159
Environmental Liability	Co: VACo Risk Mgmt Pol.#: VA-CU-041B-22	7/1/2022 Through 7/1/2023	Above Ground Pollution Exposure	\$ 1,000,000	\$25,000	Included
Cyber Risk	Co: VACo Risk Mgmt Pol.#: VA-CU-041B-22	7/1/2022 Through 7/1/2023	Per Occurrence Per Member Aggregate	\$ 500,000 \$ 5,000,000	None	\$ 750
Workers Compensation	Co: VACo Risk Mgmt Pol. #: VA-CU-041B-22	7/1/2022 Through 7/1/2023	BI Each Accident BI by Disease (per person) BI by Disease (per accident)	\$ 1,000,000 \$ 1,000,000 \$ 1,000,000	N/A	\$114,032
Surety Bond	Co: National Grange Mutual Insurance Ag: MSA Group Pol. #: S02620464-Y	02/21/2023 Through 02/21/2024	Employee dishonesty	\$ 40,000	\$ 250	\$ 810
					Total	\$233,131

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

SCHEDULE OF CHANGES IN NET PENSION OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2023

VRS Pension Supplementary Information

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 781,449	\$ 900,884	\$ 913,995	\$ 911,214	\$ 881,534	\$ 886,085	\$ 882,836	\$ 906,042	\$ 859,063
Interest	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	527,177	(254,013)	1,249,569	(89,033)	155,625	(145,099)	(570,340)	145,698	-
Benefit Payments, including refunds of employee contributions	(2,028,088)	(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	2,606,319	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	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>\$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	\$ 860,078	\$ 871,642	\$ 723,390	\$ 697,847	\$ 855,583	\$ 798,762	\$ 810,272	\$ 811,710	\$ 915,959
Contributions – employee	517,532	531,641	541,559	516,991	537,641	508,928	478,831	469,626	497,872
Net investment income	(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	(2,028,088)	(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	(29,072)	(24,968)	(23,876)	(22,829)	(20,119)	(19,757)	(17,053)	(16,190)	(18,968)
Other	1,081	959	(836)	(1,469)	(2,168)	(3,158)	(209)	(262)	189
Net change in plan fiduciary net position	(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	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>\$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>\$ 6,118,011</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	88.26%	94.37%	79.79%	85.36%	87.76%	86.53%	80.06%	81.75%	82.80%
Covered employee payroll	\$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	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, 2023

VRS Pension Supplementary Information (Continued)

Schedule of Employer Contributions
For the Years Ended June 30, 2014 through 2023

	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)
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%
2014	\$ 915,959	\$ 915,959	\$ -	\$ 9,706,990	9.44%

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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, 2023

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 2022**

	2022	2021	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	.05163%	.05495%	.05647%	.05575%	.055876%	.05583%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$621,675	\$639,767	\$942,392	\$907,201	\$892,000	\$840,000
Employer's Covered Payroll	\$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	5.54%	5.64%	8.11%	8.33%	8.00%	8.19%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

**Schedule of Employer Contributions
For the Years Ended June 30, 2014 through 2023**

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)
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%
2014	\$ 46,617	\$ 46,617	\$ -	\$ 9,706,990	0.48%

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

CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD

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

FOR THE YEAR ENDED JUNE 30, 2023

VRS Group Life Supplementary Information (Continued)

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 2022

	2022	2021	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.91116%	0.96022%	0.9661%	0.89930%	0.94509%	0.86242%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$(5,357)	\$(9,721)	\$9,649	\$18,218	\$7,000	\$5,000
Employer's Covered Payroll	\$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	(0.1255)%	(0.2519)%	0.2679%	0.6556%	0.305%	0.3157%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	107.99%	119.59%	76.84%	49.19%	51.39%	38.40%

Schedule of Employer Contributions

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	\$ 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%
2014	\$ 228	\$ 228	\$ -	\$ 38,000	0.60%

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

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

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 2023**

	2023	2022	2021	2020	2019	2018
Service cost	\$ 122,216	\$ 173,849	\$ 167,179	\$ 121,933	\$ 108,612	\$ 112,184
Interest on total OPEB liability	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	(236,296)	(508,009)	9,087	517,505	144,322	(110,637)
Benefit payments	(170,345)	(134,553)	(150,097)	(89,637)	(84,875)	(73,300)
Net change in total OPEB liability	(95,318)	(384,760)	(529,360)	679,549	299,509	48,446
Total OPEB liability beginning	3,395,009	3,779,769	4,309,129	3,629,580	3,330,071	3,281,625
Total OPEB liability ending	3,299,691	3,395,009	3,779,769	4,309,129	3,629,580	3,330,071
Covered payroll	\$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	27.31%	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, 2023 and 2022, 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 10, 2023.

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.

Members of American Institute
of Certified Public Accountants

Members of Virginia Society of
Certified Public Accountants

^{*}Member of National Association of
Certified Valuation Analysts

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.



Hicok, Brown and Company
Certified Public Accountants

November 10, 2023

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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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Blue Ridge Behavioral Healthcare 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.

A handwritten signature in black ink that reads "Hicok, Brown & Company". The script is cursive and fluid, with the company name written in a single line.

Hicok, Brown and Company
Certified Public Accountants

November 10, 2023

**CUMBERLAND MOUNTAIN COMMUNITY SERVICES BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023**

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:

93.498 HRSA Provider Relief Fund

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.