

*New Horizons Regional  
Education Centers*

FINANCIAL REPORT

JUNE 30, 2023

# **NEW HORIZONS REGIONAL EDUCATION CENTERS**

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# *New Horizons Regional Education Centers*

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# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Management's Discussion and Analysis

June 30, 2023

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Management's discussion and analysis (MD&A) provides readers of our financial statements an unaudited overview of the financial position and activities of New Horizons Regional Education Centers (NHREC) for the year ended June 30, 2023, with selected comparative information for the year ended June 30, 2022. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, notes and this discussion are the responsibility of the NHREC management.

### Financial Highlights

- In the Government-wide financial statements, the primary government of NHREC's total operating revenues of \$22,637,439 exceeded total operating expenses of \$20,756,294 by \$1,881,145.
- These financial statements include the financial information of a component unit, New Horizons Educational Foundation, Inc., because there is a financial relationship between the Center and the component unit, as well as fiscal interdependence. In the government-wide financial statements of New Horizons Educational Foundation, operating revenues of \$1,222,984 exceeded operating expenses of \$578,400 by \$644,584.
- NHREC's net OPEB liability, net pension liability and noncurrent liabilities at June 30, 2023 were \$13,287,475, which is an increase of \$882,318 from the prior year. The key factor was a decrease in both pension and OPEB liabilities based on actuarial calculations.

### Overview of the Financial Statements

This report consists of government-wide financial statements, fund financial statements, notes to the financial statements and the required supplementary information. The first two statements present a government-wide view of NHREC and the component unit's finances. Within this view, all NHRECs' and the component unit's operations are categorized and reported as governmental activities.

Governmental activities for NHREC include the operation of the Career & Technical Education, Special Education, Governor's School, and Adult programs. Governmental activities for the component unit (New Horizons Educational Foundation) provides funding for scholarships and to NHREC for supplemental activities. These government-wide statements are designed to be more corporate-like in that asset are capitalized and depreciated, rather than expensed as in the fund statements.

(Continued)

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Management's Discussion and Analysis

June 30, 2023

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### Basic Financial Statements

- The Statement of Net Position in the government-wide financial statements focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets of NHREC and the component unit, the liabilities they owe and the net difference. The net difference is further separated into amounts the Board designated for specific purposes and unrestricted amounts. The Statement of Activities focuses on the gross and net costs of NHREC and the component unit's programs. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other revenues.
- Fund financial statements focus on the governmental funds by providing more detailed information about the major funds. The governmental fund statements do not capitalize assets, nor do they recognize notes payable. Capital assets and the payments on notes are expensed when purchased in the fund financial statements.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding NHREC and the component unit's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

### **Statement of Net Position**

A condensed version of the Statement of Net Position at June 30, 2023, is as follows:

	<u>NHREC</u>	<u>Component Unit</u>
Current and other assets	\$ 8,466,891	\$ 1,598,317
Capital assets	<u>6,664,402</u>	<u>8,015,294</u>
Total assets	15,131,293	9,613,611
Deferred outflow of resources	<u>3,453,204</u>	-
Total assets and deferred outflow of resources	<u>\$ 18,584,497</u>	<u>\$ 9,613,611</u>
Liabilities	\$ 14,917,394	\$ 6,135,346
Deferred inflow of resources	<u>3,967,224</u>	-
Total liabilities and deferred inflow of resources	<u>18,884,618</u>	<u>6,135,346</u>
Net assets:		
Invested in capital assets, net of related debt	6,664,402	2,954,685
Restricted	-	296,886
Unrestricted	<u>(6,964,523)</u>	<u>226,694</u>
Total net assets	<u>(300,121)</u>	<u>3,478,265</u>
Total liabilities and net assets	<u>\$ 18,584,497</u>	<u>\$ 9,613,611</u>

(Continued)

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Management's Discussion and Analysis

June 30, 2023

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A condensed version of the Statement of Net Position at June 30, 2022, is as follows:

	<u>NHREC</u>	<u>Component Unit</u>
Current and other assets	\$ 8,662,016	\$ 1,510,180
Capital assets	<u>6,785,585</u>	<u>8,304,662</u>
Total assets	15,447,601	9,814,842
Deferred outflow of resources	<u>4,025,499</u>	<u>-</u>
Total assets and deferred outflow of resources	<u>\$ 19,473,100</u>	<u>\$ 9,814,842</u>
Liabilities	\$ 14,533,396	\$ 6,981,161
Deferred inflow of resources	<u>7,120,972</u>	<u>-</u>
Total liabilities and deferred inflow of resources	<u>21,654,368</u>	<u>6,981,161</u>
Net assets:		
Invested in capital assets, net of related debt	6,785,585	2,381,633
Restricted	-	183,303
Unrestricted	<u>(8,966,853)</u>	<u>268,745</u>
Total net assets	<u>(2,181,268)</u>	<u>2,833,681</u>
Total liabilities and net assets	<u>\$ 19,473,100</u>	<u>\$ 9,814,842</u>

Primary Government - Current and other assets consist of cash in the bank, receivables due from school divisions, the Commonwealth of Virginia and others, prepaid rent and capital assets. Liabilities consist of accounts payable, accrued leave, funds held for special projects, net pension liability and OPEB obligation, and deferred inflows of resources. Unrestricted net assets are funds available to expend for operations.

Component Unit - Current assets include both the operating cash and cash reserved for the debt reserve. Liabilities consist of accounts payable, a rent deposit and the note payable. Unrestricted net assets are funds available for use as the Board directs.

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# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Management's Discussion and Analysis

June 30, 2023

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### Statement of Activities

A condensed version of the Statement of Activities at June 30, 2023, is as follows:

	<u>NHREC</u>	<u>Foundation</u>
Program revenues:		
Operating grants and contributions	\$ 21,889,146	\$ 129,919
Charges for services	659,116	-
Interest income	8,811	2,438
Rental income	60,632	1,027,848
Fundraisers	-	49,919
Scholarships and honorariums	-	9,860
Other income	<u>19,734</u>	<u>3,000</u>
Total program revenues	22,637,439	1,222,984
Program expenses	<u>20,756,294</u>	<u>578,400</u>
Increase in net assets	<u>\$ 1,881,145</u>	<u>\$ 644,584</u>

A condensed version of the Statement of Activities at June 30, 2022, is as follows:

	<u>NHREC</u>	<u>Foundation</u>
Program revenues:		
Operating grants and contributions	\$ 20,351,412	\$ 91,737
Charges for services	794,580	-
Interest income	11,812	738
Rental income	61,081	1,027,848
Fundraisers	-	42,662
Scholarships and honorariums	-	17,750
Other income	<u>128,958</u>	<u>9,500</u>
Total program revenues	21,347,843	1,190,235
Program expenses	<u>20,068,077</u>	<u>632,881</u>
Increase in net assets	<u>\$ 1,279,766</u>	<u>\$ 557,354</u>

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# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Management's Discussion and Analysis

June 30, 2023

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### Funding Sources

The Statement of Revenues, Expenditures and Change in Fund Balance – General Fund -- shows the revenue funding sources by type and amount of funds received.

Local funds, including amounts for adult education, received from the school divisions during the year ended June 30, 2023 are follows:

Newport News	\$ 7,316,511	36.62%
Hampton	5,207,063	26.06%
York County	3,577,187	17.91%
Williamsburg/James City County	2,023,378	10.13%
Poquoson	993,591	4.97%
Gloucester	736,978	3.69%
Isle of Wight	<u>123,955</u>	<u>0.62%</u>
Total local funds revenue	<u>\$ 19,978,663</u>	<u>100.00%</u>

Local funds, including amounts for adult education, received from the school divisions during the year ended June 30, 2022 are follows:

Newport News	\$ 7,246,149	38.81%
Hampton	4,786,089	25.63%
York County	3,164,417	16.94%
Williamsburg/James City County	1,814,305	9.72%
Poquoson	628,581	3.37%
Gloucester	909,201	4.87%
Isle of Wight	<u>123,955</u>	<u>0.66%</u>
Total local funds revenue	<u>\$ 18,672,697</u>	<u>100.00%</u>

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# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Management's Discussion and Analysis

June 30, 2023

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### Capital Assets

At June 30, 2023, the primary government of NHREC had \$20,309,318 invested in land and land improvements, building and building improvements and furniture, equipment, and vehicles (a 4.121% decrease from FY 2022). The major capital asset additions included the following:

Building and building improvements:

• CCTV	\$	114,030
• Paging, intercom, clocks	\$	104,691
• Network cabling	\$	39,007
• Burglar alarm system	\$	36,770

Furniture, equipment and vehicles:

• Transit vans	\$	109,305
• Milo range training system	\$	41,995
• XIQ cloud	\$	40,746
• Security cameras	\$	32,613

At June 30, 2023, the Foundation had \$10,363,147 in buildings and improvements, and furniture and equipment.

### Long-Term Liabilities and Debt

At June 30, 2023, the long-term liabilities and debt of the primary government of NHREC consisted of compensated absences, net OPEB obligation, net pension liability, and a capital lease payable, as listed below

Primary government:

Compensated absences	\$	381,271
Net OPEB obligations		2,711,311
Net pension liability		10,194,893
Lease liability		<u>769,751</u>

Total \$ 14,057,226

The Foundation had a note payable as listed below:

Foundation:

Note payable	\$	<u>5,060,609</u>
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### Summary

The financial report reflects resources that were directed toward serving the educational needs of the Virginia Peninsula's school divisions by preparing students educationally, technically and socially, according to each student's needs to become productive citizens.



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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees and Superintendents  
New Horizons Regional Education Centers

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, the major funds, and activity funds of New Horizons Regional Education Centers as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise New Horizons Regional Education Centers' 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 governmental activities, the aggregate discretely presented component unit, the major fund, and activity funds of the New Horizons Regional Education Centers, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 New Horizons Regional Education Centers and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matter**

##### *Change in Accounting Principal*

As described in Note 1 to the financial statements, in the year ended June 30, 2023, New Horizons Regional Education Centers adopted new accounting guidance, GASB Statement No. 96, Subscription-Based Information Technology Agreements. Our opinion is not modified with respect to this matter.

### ***Management's Responsibility for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New Horizons Regional Education Centers' 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 Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of New Horizons Regional Education Centers' 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 New Horizons Regional Education Centers' ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2024, on our consideration of New Horizons Regional Education Centers' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 New Horizons Regional Education Centers' internal control over financial reporting and compliance.

*A. Robm, Smith & Company*

Newport News, Virginia

January 22, 2024

## **FINANCIAL STATEMENTS**

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Statement of Net Position

June 30, 2023

	Primary Government	Component Unit
	Governmental Activity	
<b>ASSETS</b>		
Cash	\$ 4,329,661	\$ 556,703
Cash - debt reserve	-	1,037,701
Accounts receivable	1,902,002	3,913
Lease receivable	16,951	-
Right-to-use subscription asset, net	9,341	-
Prepaid expenses	87,273	-
Deposit on equipment	75,690	-
Prepaid rent	1,027,842	-
Right-to-use lease assets, net	1,018,131	-
Capital assets, net	6,664,402	8,015,294
Total assets	15,131,293	9,613,611
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Employer contributions subsequent to the measurement date	3,453,204	-
Total assets and deferred outflow of resources	\$ 18,584,497	\$ 9,613,611
<b>LIABILITIES</b>		
Accounts payable	\$ 573,925	\$ 46,895
Accrued interest on SBITA liability	238	-
Compensated absences	381,271	-
Funds held for designated projects	22,509	-
Rent deposit	-	1,027,842
Pension liability, net	10,194,893	-
OPEB obligation, net	2,711,311	-
Lease liability		
Due in one year	252,314	-
Due in more than one year	769,751	-
SBITA liability	11,182	-
Note payable		
Due in one year	-	888,203
Due in more than one year	-	4,172,406
Total liabilities	14,917,394	6,135,346
<b>DEFERRED INFLOW OF RESOURCES</b>		
Net difference between projected and actual earnings on pension and OPEB investments	3,951,953	-
Present value of lessor lease less accumulated amortization	15,271	-
Total deferred inflow of resources	3,967,224	-
Total liabilities and deferred inflow of resources	18,884,618	6,135,346
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	6,664,402	2,954,685
Restricted for other purposes	-	296,886
Unrestricted	(6,964,523)	226,694
Total net position	(300,121)	3,478,265
Total liabilities, deferred inflows of resources and net position	\$ 18,584,497	\$ 9,613,611

See accompanying notes.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
**Statement of Activities and Changes in Net Position**  
**Year Ended June 30, 2023**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Changes in Net Assets</u>	<u>Component Unit</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
<b>Governmental Activities</b>					
<i>Primary Government</i>					
Education	\$ 17,379,832	\$ 659,116	\$ 21,889,146	\$ -	\$ 5,168,430
General administration	1,826,917	-	-	-	(1,826,917)
Maintenance of buildings and grounds	<u>1,549,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,549,545)</u>
Total governmental activities	<u>\$ 20,756,294</u>	<u>\$ 659,116</u>	<u>\$ 21,889,146</u>	<u>\$ -</u>	<u>1,791,968</u>
<i>Component Unit</i>					
Foundation	<u>\$ 578,400</u>	<u>\$ -</u>	<u>\$ 129,919</u>	<u>\$ -</u>	<u>(448,481)</u>
General Revenues:					
Scholarships and honorariums				-	9,860
Fundraisers				-	49,919
Other income				19,734	3,000
Rental income				60,632	1,027,848
Investment earnings				<u>8,811</u>	<u>2,438</u>
Increase in net position				<u>1,881,145</u>	<u>644,584</u>
<b>NET POSITION</b>					
Beginning				<u>(2,181,266)</u>	<u>2,833,681</u>
Ending				<u>\$ (300,121)</u>	<u>\$ 3,478,265</u>

See accompanying notes.



**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
**Reconciliation of Total Governmental Fund Balance**  
**to Net Assets of Governmental Activities**  
**June 30, 2023**

	Primary Government	Component Unit
	Governmental Activities	
<b>Total Governmental Fund Balance</b>	\$ (300,121)	\$ 3,478,265
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in the governmental activity are not financial resources and, therefore, not reported in the governmental fund -		
Capital assets	(6,664,402)	(8,015,294)
Right of use assets	(1,018,131)	-
Right of use liability	1,022,065	-
SBITA asset	2,079	-
The net pension liability is not due and payable in the current period and, therefore, is not reported as a liability in the governmental fund.	10,194,893	-
The OPEB liability is not due and payable in the current period and, therefore, is not reported as a liability in the governmental fund.	2,711,311	-
Actual earnings on pension plan investments, differences between employer contributions and proportionate employer contributions, and contributions subsequent to the measurement date are not reported in the governmental fund.	498,749	-
Present value of future earnings on lease receivable	(1,680)	
Long-term liabilities, including leases payable, are not due and payable in the current period and are therefore not reported in the governmental fund.	-	5,060,609
<b>Net position of governmental activities</b>	<b>\$ 6,444,763</b>	<b>\$ 523,580</b>

See accompanying notes.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**

**Balance Sheets - General Funds and Activity Funds**

June 30, 2023

	Governmental Funds		Activity Funds	
	Primary Government	Component Unit	Butler Farm Road	Woodside Lane
<b>ASSETS</b>				
Cash on hand	\$ 750	\$ -	\$ -	\$ -
Cash in bank	4,328,911	1,594,404	147,184	74,162
Total cash	4,329,661	1,594,404	147,184	74,162
Accounts receivable	1,902,002	3,913	-	-
Prepaid expenses	1,115,115	-	-	-
Deposit on equipment	75,690	-	-	-
Total assets	<u>\$ 7,422,468</u>	<u>\$ 1,598,317</u>	<u>\$ 147,184</u>	<u>\$ 74,162</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 573,925	\$ 46,895	\$ 5,724	\$ 396
Accrued leave	381,271	-	-	-
Funds held for designated projects	22,509	-	-	-
Rent deposit	-	1,027,842	-	-
Total liabilities	<u>977,705</u>	<u>1,074,737</u>	<u>5,724</u>	<u>396</u>
<b>FUND BALANCES</b>				
Unrestricted:				
Assigned	4,026,873	296,886	-	-
Unassigned	2,417,890	226,694	141,460	73,766
Total fund balances	<u>6,444,763</u>	<u>523,580</u>	<u>141,460</u>	<u>73,766</u>
Total liabilities and fund balances	<u>\$ 7,422,468</u>	<u>\$ 1,598,317</u>	<u>\$ 147,184</u>	<u>\$ 74,162</u>

See accompanying notes.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
**Statement of Revenues, Expenditures and Change in Fund Balance -**  
**General Fund - Primary Government**  
**Year Ended June 30, 2023**

	Original and Final Budget	Unrestricted	Over (Under) Budget
<b>REVENUES</b>			
Adult education tuition	\$ 673,960	\$ 659,116	\$ (14,844)
Local funds:			
Career and technical	5,004,804	5,004,804	-
Special education	13,251,235	13,251,140	(95)
Governor's School	1,470,466	1,470,466	-
Extended school year	216,600	232,218	15,618
Commonwealth of Virginia funds :			
Adult education	-	80,757	80,757
Career and technical	145,000	232,898	87,898
Governor's School	445,000	597,232	152,232
Other revenues	160,243	150,202	(10,041)
Grants and subcontracts	1,143,000	1,019,631	(123,369)
Total revenues	22,510,308	22,698,464	188,156
<b>EXPENDITURES</b>			
Adult education	673,959	616,124	(57,835)
Career and technical	4,513,446	4,492,121	(21,325)
Special education	11,162,306	10,827,635	(334,671)
Governor's School	1,773,810	1,696,822	(76,988)
Extended school year	216,600	236,981	20,381
Grants and subcontracts	928,000	758,053	(169,947)
Administration	1,554,337	1,643,565	89,228
Facilities operation and maintenance	1,687,850	1,889,947	202,097
Board designated capital improvements, technology and equipment purchases	-	179,684	179,684
Total expenditures	22,510,308	22,340,932	(169,376)
Change in fund balance	\$ -	357,532	\$ 357,532
<b>FUND BALANCE</b>			
Beginning		6,087,231	
Ending		\$ 6,444,763	

See accompanying notes.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
Statement of Revenues, Expenditures and Change in Fund Balance -  
General Fund - Component Unit  
Year Ended June 30, 2023

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	Unrestricted
<b>REVENUES</b>	
Rent	\$ 1,027,848
Grants and contributions	129,919
Scholarships	6,860
Honorariums	3,000
Golf Classic	49,919
Other income	3,000
Interest	2,438
Total revenues	1,222,984
<b>EXPENDITURES</b>	
Facilities operations	862,420
Contributions to NHREC	11,517
Scholarships	28,750
Honorariums	17,500
Grants and incentives	14,052
Golf classic	14,987
Interest expense	165,422
NHREC expenses	12,051
Office	24,753
Total expenditures	1,151,452
Change in fund balance	71,532
<b>FUND BALANCE</b>	
Beginning	452,048
Ending	\$ 523,580

See accompanying notes.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
Reconciliation of Statement of Revenues, Expenditures and Changes in  
Fund Balance of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2023

	Primary Government	Component Unit
	Governmental Activities	
<b>Net changes in fund balance</b>	\$ 357,532	\$ 71,532
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over the estimated lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
	(65,389)	(289,368)
Loss on disposal of fixed asset	(55,794)	-
The repayments of loan principal consumes the financial current financial resources of governmental funds.	-	862,420
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Lease costs	(8,716)	
SBITA costs	(2,079)	
Pension costs	1,564,352	-
Other post employment benefits	91,239	-
<b>Changes in net position of governmental activities</b>	<b>\$ 1,881,145</b>	<b>\$ 644,584</b>

See accompanying notes.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Statement of Revenues, Expenditures and Changes in Fund Balances - Activity Funds Year Ended June 30, 2023

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	<u>Butler Farm Road Funds</u>	<u>Woodside Lane Funds</u>
<b>REVENUES</b>		
Vending commissions	\$ 11,969	\$ 7,114
General activities	86,840	106,047
Interest	33	-
Student clubs	<u>3,533</u>	<u>10,021</u>
Total revenues	<u>102,375</u>	<u>123,182</u>
<b>EXPENDITURES</b>		
General activities	71,454	58,081
Student activities	57,474	43,506
Student clubs	<u>4,734</u>	<u>9,951</u>
Total expenditures	<u>133,662</u>	<u>111,538</u>
Changes in fund balances	(31,287)	11,644
<b>FUND BALANCES</b>		
Beginning	<u>172,747</u>	<u>62,122</u>
Ending	<u>\$ 141,460</u>	<u>\$ 73,766</u>

See accompanying notes.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Business*

New Horizons Regional Education Centers (NHREC) are a nonprofit, unincorporated association jointly operated by the School Boards of the following: City of Hampton, City of Newport News, York County, Williamsburg-James City County, City of Poquoson, Gloucester County, and Isle of Wright County Public Schools, pursuant to Title 22.1 Code of Virginia (1950), as amended.

NHREC offers programs in the areas of career and technical special education, as well as a variety of courses in the Governor's School for Science and Technology.

The Centers financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The Centers significant accounting and reporting policies are described below.

#### *The Financial Reporting Entity*

The financial reporting entity consists of the primary government, News Horizons Regional Education Centers, and other organizations for which the nature and significance of their relationship with the Centers are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the fact that fiscal interdependency exists and a financial benefit/burden relationship exists between the Center and New Horizons Educational Foundation, Inc., management has included New Horizons Educational Foundation, Inc., an affiliated organization which provides funding to students for scholarships and to NHREC for supplemental activities, in these financial statements.

#### *Basic of Presentation*

##### Government-wide Financial Statements

The basic financial statements consist of the government-wide statements of the primary government, NHREC, and its component unit, the New Horizons Foundation, Inc., and the fund financial statements, which provide a more detailed level of financial information. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

The government-wide financial statements include the statement of net position and the statement of activities for NHREC and its component unit. These statements are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets as well as long-term liabilities. Interfund transfers are eliminated to avoid a "doubling up" of revenues and expenditures. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net position presents the financial condition of the governmental type activities of the Centers at year-end. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Direct expenses are those that are specifically associated with a specific function or segment. Expenses are grouped into the following categories: education, general administration and maintenance of buildings and grounds.

#### Fund Financial Statements

During the year, NHREC segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. The acquisition, use and balances of the expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Both the primary government and the component unit report a governmental type (general) fund.

#### ***Governmental Fund Types***

Governmental funds are those through which most governmental functions of NHREC are financed. The acquisition, use and balances of expendable financial resources and related liabilities are accounted for through governmental funds. Measurement is focused on determining changes in financial position, rather than net income. Following are the NHREC's governmental fund types:

*General Fund* - The general fund is the primary operating fund of NHREC, the primary government, as well as the component unit. Revenues in the primary government are primarily derived from charges for services and contributions from other governmental units. Revenues in the component unit are generated from rental income, grants and contributions, scholarships and honorariums, and fundraisers.

*Activity Funds* – The activity funds are used in recording receipts from student fees and fund-raising activities, vending machine commissions, travel and other advances reimbursed by the general fund, and other miscellaneous receipts. Disbursements consist primarily of purchases of materials for various student activities, travel, and other reimbursements and advances.



# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Income Taxes*

New Horizons Education Foundation (NHEF), the component unit, is a nonprofit entity tax-exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and classified by the Internal Revenue Service as other than a private foundation.

#### *Cash and Cash Equivalents*

Cash and cash equivalents include all cash on hand and in banks, certificates of deposit and highly liquid investments with maturities of three months or less.

#### *Accounts Receivable*

Accounts receivable consist of all revenues earned at year-end not yet received. Uncollectible amounts are recognized as a reduction in the applicable revenue through the use of an allowance account or charged off at the time information becomes available which would indicate that the particular receivable is not collectible.

#### *Lease Receivable*

Present value of lease payments anticipated to be received during the lease term.

#### *Interfund Activity*

During the course of operations, transactions occur between individual funds. Those related to goods and services, and short-term interfund loans, are classified as “accounts receivable” or “accounts payable” in the statement of net position.

#### *Right-to-Use Lease Assets*

Right-to-use lease assets are representative of NHREC’s right to use an asset over the life of a lease in which it is the lessee. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received. Right-to-use lease assets are amortized over the shorter of the asset useful life or the term of the lease.

#### *Right-to-Use Subscription Assets*

A Subscription-Based Information Technology Arrangement (SBITA) is a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

***Capital Assets***

Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the capitalization threshold is met.

In the government-wide financial statements, capital assets, which include land and land improvements, buildings and building improvements, furniture and equipment, are valued at historical cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized at the completion of construction projects. The capitalization policy stipulates a capitalization threshold of \$5,000.

Estimated useful lives for depreciable assets are as follows:

	<u>Estimated Useful Life</u>
Land improvements	15-30 years
Building and related improvements	15-40 years
Furniture and equipment	5-10 years

In the fund financial statements, capital assets used in governmental fund operations are recorded as capital outlay (expenditures) of the governmental fund types when purchased.

***Long-Term Debt***

In the government-wide financial statement, long-term debt is reported as a liability. In the fund financial statements, long-term debt for governmental funds is not reported as a liability. Instead, the debt proceeds, including bond premiums and discounts, are reported as other financing sources (uses). Payment of principal and interest, including debt issuance costs, are reported as expenditures.

***Compensated Absences***

GASB No. 16, *Accounting for Compensated Absences*, requires governments to accrue compensated absences if it is probable that the employer will compensate employees for benefits associated with the payment of compensated absences. Accrued leave for each employee is valued at the employee's current rate of pay.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Government-Wide Net Assets***

In the government-wide financial statements, equity is displayed in the following components:

*Invested in Capital Assets, Net of Related Debt* – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This consists of net position that is restricted by the Centers’ creditors, by grantors and/or by other contributors.

*Unrestricted* – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### ***Governmental Fund Balances***

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily to the extent to which the Centers are bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are reported in the following components:

*Assigned* – This classification is amounts that are designated by the primary government or component unit to be used for specific purposes, but are neither restricted nor committed. The authority for assigning the fund balance is determined by the Board of Trustees.

*Unassigned* – This classification represents amounts that have not yet been restricted, committed or assigned to specific purposes within the General Fund.

The Board of Trustees of New Horizons Regional Education Centers approved a policy regarding net assets as follows:

At the end of the fiscal year, all excess revenue over expenditures shall be recorded as “Unrestricted Net Assets.” The Board may commit a portion of the “Unrestricted Net Assets” to be used for Board approved construction, capital improvements or other uses.

#### ***Deferred Outflows and Inflows of Resources***

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

*Use of Estimates*

NHREC has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Estimates are used primarily when accounting for grant receivables (due from/to other governments), depreciation, prepaid expenses and deferred revenues.

*Adoption of New Accounting Pronouncement*

During the year ended June 30, 2023, New Horizons Regional Education Centers adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), which requires the recognition of certain SBITA assets and liabilities that previously were classified as operating expenses. The Statement establishes a single model for SBITA accounting based on the foundational principle that SBITA's are the right to use an underlying information technology asset. Under this statement, NHREC is required to recognize an intangible right-to-use subscription asset and corresponding subscription liability. As a result, the Statement of Net Position now includes a receivable and inflow for the present value of payments expected to be made on the subscription assets. Subscription activity is further described in Note 7. As of June 30, 2023, NHREC had \$9,341 in right-to-use assets net of accumulated amortization of \$9,341 and \$11,182 in subscription liabilities related to these arrangements.

**NOTE 2. DEPOSITS AND INVESTMENTS**

At June 30, 2023, the carrying amount of the NHREC's deposits was \$4,329,661 and the bank balance was \$4,521,704. The discretely presented component unit had a carrying amount of \$1,594,404 in deposits and the bank balance was \$1,612,642. These deposits are secured by the FDIC limit up to \$250,000.

**NOTE 3. ACCOUNTS RECEIVABLE**

As of June 30, 2023, accounts receivable were composed of the following:

Hampton City Schools	\$	567,089
Newport News City Schools		447,664
Commonwealth of Virginia		411,665
Greater Peninsula Workforce Development Consortium		135,078
Williamsburg – James City County Public Schools		102,096
Other		67,332
Poquoson City Schools		66,737
Gloucester County Schools		52,341
Technology Grants		<u>52,000</u>
	\$	<u>1,902,002</u>

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

### NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

*New Horizons Regional Educational Centers:*

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 298,274	\$ -	\$ -	\$ 298,274
Construction in progress	<u>13,471</u>	<u>-</u>	<u>(13,471)</u>	<u>-</u>
Total capital assets not being depreciated	<u>311,745</u>	<u>-</u>	<u>(13,471)</u>	<u>298,274</u>
Capital assets being depreciated:				
Land improvements	625,387	-	(121,403)	503,984
Building and building improvements	17,633,340	339,107	(963,340)	17,009,107
Furniture, equipment and vehicles	<u>2,611,681</u>	<u>267,138</u>	<u>(380,865)</u>	<u>2,497,954</u>
Total capital assets being depreciated	<u>20,870,408</u>	<u>606,245</u>	<u>(1,465,608)</u>	<u>20,011,045</u>
Less accumulated depreciation for:				
Land improvements	169,380	32,806	(121,403)	80,783
Building and Building improvements	11,952,803	522,043	(907,546)	11,567,300
Furniture, equipment and vehicles	<u>2,274,385</u>	<u>103,314</u>	<u>(380,865)</u>	<u>1,996,834</u>
Total accumulated depreciation	<u>14,396,568</u>	<u>658,163</u>	<u>(1,409,814)</u>	<u>13,644,917</u>
Total capital assets being depreciated, net	<u>6,473,840</u>	<u>(51,918)</u>	<u>(55,794)</u>	<u>6,366,128</u>
Capital assets, net	<u>\$ 6,785,585</u>	<u>\$ (51,918)</u>	<u>\$ (69,265)</u>	<u>\$ 6,664,402</u>

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 4. CAPITAL ASSETS (Concluded)**

Depreciation expense was charged to programs as follows:

General government administration	\$	98,725
Maintenance of buildings and grounds		65,816
Education		<u>493,622</u>
Total depreciation expense	\$	<u>658,163</u>

***New Horizons Education Foundation:***

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets				
Building and building improvements	\$ 9,848,797	\$ -	\$ -	\$ 9,848,797
Land improvements	14,515	-	-	14,515
Furniture, equipment and vehicles	<u>499,835</u>	<u>-</u>	<u>-</u>	<u>499,835</u>
Total capital assets being depreciated	<u>10,363,147</u>	<u>-</u>	<u>-</u>	<u>10,363,147</u>
Less accumulated depreciation for:				
Building and building improvements	1,598,467	246,221	-	1,844,688
Land improvements	5,808	968	-	6,776
Furniture, equipment and vehicles	<u>454,210</u>	<u>42,179</u>	<u>-</u>	<u>496,389</u>
Total accumulated depreciation	<u>2,058,485</u>	<u>289,368</u>	<u>-</u>	<u>2,347,853</u>
Capital assets, net	<u>\$ 8,304,662</u>	<u>\$ (289,368)</u>	<u>\$ -</u>	<u>\$ 8,015,294</u>

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

### NOTE 5. LONG-TERM LIABILITIES

A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2023 follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Compensated absences	\$ 363,734	\$ 17,537	\$ -	\$ 381,271
Net OPEB obligations	3,649,370	-	938,059	2,711,311
Net pension liability	8,392,053	1,802,840	-	10,194,893
Lease liability	<u>1,022,065</u>	<u>-</u>	<u>252,314</u>	<u>769,751</u>
	<u>\$ 13,427,222</u>	<u>\$ 1,820,377</u>	<u>\$ 1,190,373</u>	<u>\$ 14,057,226</u>

Long-term debt in the component unit consists of the following at June 30, 2023:

Note payable at PNC Bank, in monthly installments of \$85,654, including interest at 2.95%, due October 2028.	<u>\$ 5,060,609</u>
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Maturities of long-term debt are as follows:

	Principal	Interest
2024	\$ 888,203	\$ 139,640
2025	915,505	112,337
2026	943,266	84,576
2027	971,869	55,974
2028	1,001,283	26,559
2029	<u>340,483</u>	<u>2,130</u>
	<u>\$ 5,060,609</u>	<u>\$ 421,216</u>

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

### NOTE 6. LOCAL FUNDS

Support by the participating localities during the year ended June 30, 2023, was as follows:

	Career and Technical	Special Education*	Governor's School	Total
Newport News Public Schools	\$1,520,507	\$ 5,631,099	\$ 146,860	\$ 7,298,466
Hampton Public Schools	1,229,752	3,761,224	214,097	5,205,073
York County Public Schools	1,358,447	1,631,300	587,440	3,577,187
Williamsburg - James City County Public Schools	490,947	1,314,795	217,636	2,023,378
City of Poquoson Public Schools	181,126	447,919	107,933	736,978
Gloucester County Public Schools	224,025	697,021	72,545	993,591
Isle of Wight County Public Schools	-	-	123,955	123,955
	<u>\$5,004,804</u>	<u>\$ 13,483,358</u>	<u>\$ 1,470,466</u>	<u>\$19,958,628</u>

\*Special education revenue includes annual contributions, tuition, additional positive support payments, and extended school year payments.

### NOTE 7. LEASES & SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

#### Operating Leases

NHREC has entered into operating lease agreements for equipment, and for classroom space in Newport News and York County. These agreements expire between July 2026 and June 2027. NHREC recognizes right of use assets and lease liabilities based on the present value of lease payments over the lease term at commencement date. Lease costs for the year ended June 30, 2023 was \$274,109.

The table below presents a maturity analysis of lease liabilities and reconciliation of the total amount of such liabilities at June 30, 2023:

Year Ending June 30:	
2024	\$ 272,714
2025	273,979
2026	276,327
2027	245,601
Total lease payments	1,068,621
Less discount for net present value	46,556
Present value of lease liability	\$ 1,022,065
Less current maturities of lease liabilities	252,314
Noncurrent lease liability	\$ 769,751



# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 7. LEASES & SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs) (Continued)

Other information for the operating leases:

The weighted average remaining lease term in years	3.8 years
The weighted average discount rate	2.3%

#### Facilities Leased to Others

NHREC leases career and technical education space in its Butler Farm location to Virginia Peninsula Community College under a lease expiring October 1, 2023. The lease agreement provides for base monthly rental payments. NHREC has recognized a lease receivable of \$16,951 as of June 30, 2023.

During the year ended June 30, 2023, NHREC recognized \$60,632 lease revenue and \$1,573 interest income related to its lessor agreements.

The future principal and interest payment requirements related to the lease receivable at June 30, 2023 are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$ 16,951</u>	<u>\$ 84</u>	<u>\$ 17,035</u>

#### Subscription-Based Information Technology Arrangements (SBITAs)

NHREC obtains the right to use a vendors' information technology software through a long-term contract. Payments are annual.

Future principal and interest payment requirements related to the subscription liability at June 30, 2023 are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$ 11,812</u>	<u>\$ 318</u>	<u>\$ 12,130</u>

During the year, NHREC did not recognize any outflows related to variable payments. If any were present, they would have been properly excluded from the initial measurement of the subscription liability.

As of June 30, 2023, NHREC did not have any commitments related to subscriptions for which the subscription term has not commenced.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 8. FUND BALANCES

In the fund financial statements, fund balances for governmental funds at June 30, 2023 are reported in classifications that comprise a hierarchy based primarily on the extent to which NHREC is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are reported in three components as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Assigned for capital improvements - includes amounts donated by the local school systems for specific capital improvement projects	\$ 1,584,723	\$ -
Assigned funds set aside by the Board of Directors for various capital and other projects	2,442,150	-
Assigned for donor restricted purposes	-	296,886
Unassigned	<u>2,417,890</u>	<u>226,694</u>
	<u>\$ 6,444,763</u>	<u>\$ 523,580</u>

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 9. RELATED PARTY TRANSACTIONS

New Opportunity L.L.C. (LLC), a single member LLC of which New Horizons Educational Foundation, Inc. is the sole member, signed an \$11,000,000 promissory note with the Economic Development Authority of the City of Newport News (the Authority) in November 2013. The promissory note obligates the LLC to pay the Authority all principal and interest due under the terms of the Authority's \$11,000,000 Tax-Exempt Revenue Bond, Series 2013. The Authority assigned this promissory note to PNC Bank, and all payments are therefore made to PNC Bank as noted in Note 5.

New Horizons Regional Education Center Association (the Association) deposited \$1,027,842 in a debt service reserve account at PNC Bank that will be used to cure any debt service payment deficiencies, and if none, to ultimately pay the final year of bond debt service payments. This amount is recorded as prepaid rent in the Statement of Net Position.

Proceeds from this loan were used to finance the construction of a special education facility that is leased by the Association (also known as New Horizons Regional Education Centers). Construction of the facility began during the year ended June 30, 2015, and was completed in January 2016. The facility was built on the New Horizons Woodside Lane campus on land owned by the Association.

This land is leased to the LLC for 30 years pursuant to a ground lease. The LLC used the loan proceeds to finance construction of the facility, which along with the land and existing facilities, is being leased back to the Association for 15 years (the term of the bond debt). Lease payments made by the Association to the LLC are equal to the debt service payments due on the loan. At the expiration of the 30 year ground lease, all property, including the new building, reverts back to the Association.

New Horizons Education Foundation, Inc. also created Woodside Lane L.L.C. (Woodside LLC) to manage the financing and procurement of services for the renovation of the Woodside Lane CTE facility. Woodside LLC is a single member LLC of which New Horizons Educational Foundation, Inc. is the sole member.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 10. DEFINED BENEFIT PENSION PLANS

#### *Summary of Significant Accounting Policies*

The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple-employer cost sharing plan. The VRS Nonprofessional 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 NHREC's Professional and Nonprofessional Retirement Plans and the additions to/deductions from NHREC's Professional and Nonprofessional net fiduciary positions have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). In addition, benefit payments (including refunds of employee contribution) 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 (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. All full-time, salaried permanent nonprofessional employees are automatically covered by a separate VRA retirement plan. These Plans are administered by the Virginia Retirement System (the System) along with Plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for both professional and nonprofessional 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 defined below:

#### **VRS Plan 1 Retirement Plan Provisions**

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

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

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

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

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

**Retirement Contributions** - Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

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

**Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan.

Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

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

**Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

**Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.

**Normal Retirement Age** - Age 65

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

***Earliest Unreduced Retirement Eligibility*** – Members are eligible for an unreduced retirement benefit at age 65 with at least 5 years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

***Earliest Reduced Eligibility*** – Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

***Cost-of-Living Adjustment (COLA) in Retirement*** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

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

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

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

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

***Disability Coverage*** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

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

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

#### **VRS Plan 2 Retirement Plan Provisions**

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

*Eligible Members* – Nonprofessional employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Professional employees are in Plan 2 if their membership date is from July 1, 2010 to December 31, 2013, and they have not taken a refund, or they have a membership date prior to July 1, 2010, and they were not vested before January 1, 2013.

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

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

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

*Retirement Contributions* – Same as Plan 1.

*Service Credit* - Same as Plan 1.

*Vesting* - Same as Plan 1.

*Calculating the benefit* - See definition under Plan 1.

*Average Final Compensation* - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

*Service Retirement Multiplier* - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

*Normal Retirement Age* - Normal Social Security retirement age.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

***Earliest Unreduced Retirement Eligibility –VRS*** - Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

***Earliest Reduced Retirement Eligibility – VRS*** -Age 60 with at least five years (60 months) of service credit.

***Cost-of-Living Adjustment (COLA) in Retirement*** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) for a maximum COLA of 3%.

***Eligibility*** - Same as VRS Plan 1.

***Exceptions to COLA Effective Dates*** - Same as VRS Plan 1.

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

***Purchase of Prior Service*** - Same as Plan 1.

#### **Hybrid Retirement Plan Provisions**

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

- The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses and any required fees.



# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

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

- School division employees (Professional and Nonprofessional)
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

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

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

**Service Credit -**

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

Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

**Vesting -**

Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required except as governed by law.

#### ***Calculating the Benefit -***

Defined Benefit Component: See definition under Plan 1.

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

***Average Final Compensation -*** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

#### ***Service Retirement Multiplier -***

Defined Benefit Component: The retirement Multiplier for the defined benefit component is 1.0%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Defined Contribution Component: Not applicable.

#### ***Normal Retirement Age -***

Defined Benefit Component: Same as Plan 2.

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

#### ***Earliest Unreduced Retirement Eligibility -***

Defined Benefit Component: Normal Social Security retirement age and have at least five years (60 Months) of creditable service or when their age and service equal 90.

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

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

#### ***Earliest Reduced Retirement Eligibility -***

***Defined Benefit Component:*** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

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

#### ***Cost-of-Living Adjustment (COLA) in Retirement -***

***Defined Benefit Component:*** Same as Plan 2.

***Defined Contribution Component:*** Not applicable.

***Eligibility:*** Same as Plan 1 and Plan 2.

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

***Disability Coverage*** – Professional employees and employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

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

#### ***Purchase of Prior Service***

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

- Hybrid Retirement Plan members are ineligible for ported service.

***Defined Contribution Component:*** Not applicable.

***Employees covered by Benefit Terms*** - As of the June 30, 2021 actuarial evaluation, the following nonprofessional employees were covered by the benefit terms of the pension plan:

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)**

Nonprofessional Employees (non-teacher):	
Inactive members or their beneficiaries currently receiving benefits	13
Inactive members:	
Vested inactive members	2
Non-vested inactive members	6
Inactive members active elsewhere in VRS	5
Total inactive members	26
Active members	10
Total covered employees	36

**Contributions** - The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions and political subdivisions by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement. Each school division’s contractually required contribution rate to the Teacher Retirement Plan (Professional) for the year ended June 30, 2023 was 16.62% 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 earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from NHREC were \$1,721,158 and \$1,620,027 for the years ended June 30, 2023 and 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Employee Plan. This special Payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

In addition, for the Nonprofessional (non-teacher) employees, NHREC’s contractually required contribution rate for the year ended June 30, 2023 was 15.30% 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 Nonprofessional (non-teacher) pension plan from NHREC were \$52,702 and \$57,813 for the years ended June 30, 2023 and June 30, 2022, respectively.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

**Net Pension Liability** – At June 30, 2023, NHREC reported a liability of \$9,841,443 for its proportionate share of the Net Pension Liability of the Teacher Retirement Plan (Professional). The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. NHREC's proportion of the Net Pension Liability was based on the actuarially determined employer contributions to the pension 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, NHREC's proportion was 0.10337% as compared to 0.10458% at June 30, 2021.

In addition, NHREC's net pension liability for Nonprofessional (non-teacher) Retirement Plan 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 net position. NHREC's 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. At June 30, 2023, NHREC reported a liability of \$353,449 for the Nonprofessional (non-teacher) Retirement Plan.

**Pension Expense** – For the year ended June 30, 2023, NHREC recognized pension expense of \$513,891 for the Teacher Retirement Plan (Professional). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

In addition, for the year ended June 30, 2023, NHREC recognized pension expense of \$64,743 for the Nonprofessional (non-teacher) Retirement Plan.

**Deferred Outflows/Inflows of Resources** – At June 30, 2023, for the Teacher Retirement Plan (Professional), NHREC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

**NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resource
Net Difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,283,118
Changes of assumptions	927,850	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	142,671	317,871
Difference between expected and actual experience	-	678,606
Employer contributions subsequent to the measurement date	1,721,158	-
Total	\$ 2,791,679	\$ 2,279,595

Deferred outflows of resources of \$1,721,158 related to pensions resulting from NHREC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Amounts
2024	\$ (380,672)
2025	(521,659)
2026	(861,226)
2027	554,483
2028	-
	\$ (1,209,074)

In addition, at June 30, 2023, for the Nonprofessional (non-teacher) Retirement Plan, NHREC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resource
Net Difference between projected and actual earnings on pension plan investments	\$ 74,111	\$ 102,574
Change of assumptions	-	-
Difference between expected and actual Experience	10,529	-
Employer contributions subsequent to the measurement date	52,702	-
Total	\$ 137,342	\$ 102,574

**NEW HORIZONS REGIONAL EDUCATION CENTERS**

Notes to Financial Statements

June 30, 2023

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**NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)**

Deferred outflows of resources of \$52,702 related to pensions resulting from NHREC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Amounts
2024	\$ (744)
2025	(11,832)
2026	(19,775)
2027	14,417
2028	-
	<u>\$ (17,934)</u>

**Actuarial Assumptions and Methods**

*Professional/Teacher Retirement Plan*

The total pension liability for the VRS Teacher 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 percent
Salary increases, including inflation	3.5 percent – 5.95%
Investment rate of return	6.75 percent, including inflation

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employees Rates projected  
generationally; 110% of rates for males.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

#### Post Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

#### Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.

#### Beneficiaries and Survivors:

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

#### 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 four-year 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 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 one 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 year age and service through 9 years of service
- Disability Rates – No change
- Salary Scale – No change
- Discount rate – No change

#### *Nonprofessional (non-teacher) Retirement Plan*

The total pension liability for Nonprofessional Retirement Plan (non-teacher) 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	3.5 percent – 5.35%
Investment rate of return	6.75 percent, including inflation



# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Mortality rates: 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 Rates projected generationally; 110% of rates for males; 105% of rates for females set back 3 years.

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

Rates are 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 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:

- 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 in 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.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)**

- Disability Rates – No change
- Salary Scale – No change
- Line of Duty Disability – No change
- Discount Rate – No change

**Net Pension Liability**

The Teacher Plan net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2022, NPL amounts for the VRS Teacher/Professional Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	54,732,329
Plan Fiduciary Net Position		<u>45,211,731</u>
Employers’ Net Pension Liability (Asset)	\$	<u>9,520,598</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		82.61%

The total pension 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 pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 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 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:

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

**NOTE 10. DEFINED BENEFIT PENSION PLAN (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 rate of return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40<sup>th</sup> 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 2.5%.

***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 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. Through the fiscal year ending June 30, 2022, the rate contributed by the School Division for the VRS Professional/Teacher Retirement Plan 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. For the Nonprofessional (non-teacher) Plan, 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.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)**

From July 1, 2022 on, school divisions and participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plans' fiduciary net positions were 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.

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents NHREC's proportionate share of the net pension liability for the Professional/Teacher Retirement Plan using the discount rate of 6.75%, as well as what NHREC's proportionate share of the 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:

	<u>1% Decrease</u> <u>(5.75%)</u>	<u>Discount Rate</u> <u>(6.75%)</u>	<u>1% Increase</u> <u>(7.75%)</u>
NHREC's Proportionate share Of the net pension liability For the VRS Teacher Retirement Plan	<u>\$ 17,557,570</u>	<u>\$ 9,841,443</u>	<u>\$ 3,542,534</u>

In addition, the following presents the net pension liability of the Nonprofessional (non-teacher) Retirement Plan using the discount rate of 6.75%, as well as what the 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:

	<u>1% Decrease</u> <u>(5.75%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.75%)</u>	<u>1% Increase</u> <u>(7.75%)</u>
NHREC's Proportionate share of the net pension liability for the VRS Nonprofessional Retirement Plan	<u>\$ 512,235</u>	<u>\$ 353,449</u>	<u>\$ 221,332</u>

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

**NOTE 10. DEFINED BENEFIT PENSION PLAN (Concluded)**

***Changes in Net Pension Liability – Nonprofessional (non-teacher) Retirement Plan***

Asset Class (Strategy)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance – July 1	\$ 1,320,074	\$ 1,046,668	\$ 273,406
Changes for the fiscal year:			
Service cost	38,820	-	38,820
Interest	89,252	-	89,252
Changes of assumptions	-	-	-
Difference between expected And actual experience	21,272	-	21,272
Contribution – employer	-	54,046	(54,046)
Contribution – employee	-	17,388	(17,388)
Refunds of contributions	-	-	-
Net investment income	-	(1,511)	1,511
Benefit payments	(73,291)	(73,291)	-
Administrative expenses	-	(647)	647
Other changes	-	25	(25)
Balance – June 30	\$ 1,396,127	\$ 1,042,678	\$ 353,449

***Pension Plan Data***

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

***Payables to the VRS Professional and Nonprofessional Plans***

At June 30, 2023, \$198,573 was payable to the VRS Professional Plan and \$5,606 was payable to the Nonprofessional Plan.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

#### VRS Plans

NHREC participates in a cost-sharing multiple employer Group Life Insurance Program, a Teacher Employee Health Insurance Credit Program, a Political Subdivision Health Insurance Credit Plan, a Political Subdivision Employee Virginia Disability Program, and a Teacher Employee Virginia Local Disability Program offered by Virginia Retirement System (“VRS”).

VRS issues a publicly available 2022 Annual Comprehensive Financial Report (Annual Report) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to VRS’ Chief Financial Office at P.O. Box 2500, Richmond, Virginia 23218-2500.

The actuarial assumptions and long term expected rate of return are the same for the VRS OPEB programs. As such, the presentation of the actuarial assumptions and long term expected rate of return are combined below. Specific information for the OPEB plans will be presented after this section.

#### *Actuarial Assumptions*

The VRS 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 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.0 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, including inflation

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Mortality rates – Teachers – All VRS Postemployment Benefit Plans**

Pre-Retirement:

Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males.

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year, 105% of rates for males and females.

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rated projected generationally; males set forward 1 year, 105% of rates for males and females.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers 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 four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action 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)	Updated 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

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

Discount Range – no change

**Mortality rates – Non-Largest Ten Locality Employers - General Employees (Nonprofessional Employees) Group Life Insurance Program and Virginia Local Disability Program**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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



**NEW HORIZONS REGIONAL EDUCATION CENTERS**

Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Withdrawal Rates	Adjusted termination 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

**Mortality rates – Non-Largest Ten Locality Employers - General Employees (Nonprofessional Employees) Political Subdivision Health Insurance Credit Program**

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 Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rated 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 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 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
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# NEW HORIZONS REGIONAL EDUCATION CENTERS

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June 30, 2023

**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT 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 return of 6.75%, which was roughly at the 40th percentile of long-term results of the VRS fund asset allocation at that time, providing a medial return of 7.11%, including expected inflation of 2.5%.

#### **Virginia Retirement System – Group Life Insurance Program**

##### ***Summary of Significant Accounting Policies***

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 Section 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, Group Life Insurance Program 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.

##### ***Plan Description***

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

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

**NOTE 11. OTHER POSTEMPLOYMENT 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 set out in the table below:

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b>                      The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City Schools Board</li> </ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p><b>Benefit Amounts</b>                      The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <b><u>Natural Death Benefit</u></b> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <b><u>Accidental Death Benefit</u></b> – The accidental death benefit is double the natural death benefit.</li> <li>• <b><u>Other Benefit Provisions</u></b> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:                             <ul style="list-style-type: none"> <li>○ Accidental dismemberment benefit</li> <li>○ Seatbelt benefit</li> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul> </li> </ul>
<p><b>Reduction in benefit Amounts</b>                      The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

#### **Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)**

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

#### ***Contributions***

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 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 NHREC for the nonprofessional employees were \$1,861 and \$2,043 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions for the professional employees were \$56,029 and \$52,973 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the NHREC reported a liability of \$20,951 for its proportionate share of the Net GLI OPEB Liability for nonprofessional employees and \$543,047 for its proportionate share of the Net GLI OPEB Liability for professional employees. 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 July 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. The participating employer's proportion was 0.00174% at June 30, 2022 and June 30, 2021, for nonprofessional employees.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

At June 30, 2023, NHREC's proportion was 0.04510% as compared to 0.04544% at June 30, 2022 for professional employees.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$1,761 for nonprofessional employees and \$21,627 for professional employees. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,659	\$ 841
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,309
Change in assumptions	781	2,041
Changes in proportion	1,818	4
Employer contributions subsequent to the measurement date	1,861	-
Total	\$ 6,119	\$ 4,195

\$1,861 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 for nonprofessional employees.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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	\$	725
FY 2025		161
FY 2026		(909)
FY 2027		243
FY 2028		(157)
Thereafter		-
	\$	63

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB for professional employees from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 43,003	\$ 21,786
Net difference between projected and actual earnings on GLI OPEB program investments	-	33,932
Change in assumptions	20,255	52,895
Changes in proportion	15,720	16,395
Employer contributions subsequent to the measurement date	56,029	-
Total	\$ 135,007	\$ 125,008

\$56,029 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 for professional employees.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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	\$	(6,963)
FY 2025		(10,080)
FY 2026		(29,058)
FY 2027		4,912
FY 2028		(4,841)
Thereafter		-
	\$	(46,030)

***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 is as follows (amounts expressed in thousands):

	<b><u>Group Life Insurance OPEB Program</u></b>
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.



# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***Discount Rate***

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to 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 for nonprofessional employees 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 Program			
Net OPEB Liability	\$30,487	\$20,951	\$13,245

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The following presents the employer’s proportionate share of the net GLI OPEB liability for professional employees 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:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
Employer’s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$790,198	\$543,047	\$343,316

***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 [varetire.org/pdf/publications/2022-annual-report.pdf](http://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, \$408 was payable to the VRS Group Life Insurance OPEB Plan for the nonprofessional plan and \$13,271 was payable for the professional plan.

**Virginia Retirement System – Teacher Employee Health Insurance Credit Program and Political Subdivision Health Insurance Credit Program**

**Summary of Significant Accounting Policies**

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan, and the Political Subdivision Health Insurance Credit Program is a multi-employer, agent defined benefit plan. Both Programs were established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. Both Programs are defined benefit plans that provide a credit toward the cost of health insurance coverage for retired teachers and retired political subdivision employees of participating employers.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability or the net Political Subdivision Health Insurance Credit OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB and the Political Subdivision Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program and Political Subdivision Health Insurance Credit Program OPEB expenses, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program and the Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's and Political Subdivision Health Insurance Credit Program's net fiduciary positions 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 Teacher Employee Health Insurance Credit Program and Political Subdivision Health Insurance Credit Program**

##### ***Plan Description***

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. These plans are administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

New Horizons Regional Education Centers began participating in the Political Subdivision Health Insurance Credit Programs on July 1, 2020.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The specific information for the Teacher Health Insurance Credit Program OPEB and the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

<b>TEACHER EMPLOYEE AND PLITICAL SUBDIVISIONS HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS</b>
<p><b>Eligible Employees - Teacher Employer Plan</b></p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"><li>• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.</li></ul>
<p><b>Eligible Employees – Political Subdivision Plan</b></p> <p>The Political Subdivision Retiree Health Insurance Credit Program was established on July 1, 1993, for retired political subdivision employees who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"><li>• Full-time permanent employees of the participating political subdivision who are covered under the VRS pension plan.</li></ul>

<p><b>Benefit Amounts</b></p> <p><b>The Teacher Employee Retiree Health Insurance Credit Program</b> provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"><li>• <b><u>At Retirement</u></b> – For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.</li><li>• <b><u>Disability Retirement</u></b> – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:<ul style="list-style-type: none"><li>○ \$4.00 per month, multiplied by twice the amount of service credit, or</li><li>○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</li></ul></li></ul> <p><b>The Political Subdivision’s Retiree Health Insurance Credit Program</b> provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"><li>• <b><u>At Retirement</u></b> – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.</li><li>• <b><u>Disability Retirement</u></b> – For employees who retire on disability or go on long-term-disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.</li></ul>
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# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

<b>Health Insurance Credit Program Notes:</b>	
•	For both Plans, the monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
•	For both Plans, employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.
Political Subdivision Plan – No Health Insurance Credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans.	

**Political Subdivision Employees Covered by Benefit Terms**

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

Nonprofessional Employees (non-teacher):	
Inactive members or their beneficiaries currently receiving benefits	0
Inactive members:	
Disabled	1
Vested inactive members	0
Non-vested inactive members	0
Inactive members active elsewhere in VRS	5
Total inactive members	6
Active members	10
Total covered employees	16

**Contributions**

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions and political subdivisions by the Virginia General Assembly. Each school division’s contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. For the Political Subdivision Health Insurance Credit Plan, NHREC’s contractually required employer contribution rate for the year ended June 30, 2023 was 0.56% of covered employee compensation. These rates were 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 school division to the VRS Teacher Employee Health Insurance Credit Program were \$125,410 and \$117,999 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions from NHREC to the Political Subdivision Health Insurance Credit Program were \$1,930 and \$2,119 for the years ended June 30, 2023 and 2022.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

#### *Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Health Insurance Credit Program OPEB*

At June 30, 2023, NHREC reported a liability of \$1,306,877 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2022 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit 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. NHREC's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit 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 school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.10463% as compared to 0.10589% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$107,288.

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 53,270
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,312
Change in assumptions	38,181	3,337
Changes in proportionate share	40,477	44,462
Employer contributions subsequent to the measurement date	125,410	-
Total	<u>\$ 204,068</u>	<u>\$ 102,381</u>

\$125,410 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2024.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

FY 2024	\$	(1,143)
FY 2025		(1,613)
FY 2026		(5,978)
FY 2027		(4,190)
FY 2028		(4,170)
Thereafter		(6,629)
	\$	(23,723)

***Net Teacher Employee HIC OPEB Liability***

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit 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 Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$ 1,470,891
Plan Fiduciary Net Position	<u>221,845</u>
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,249,06</u>
 Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	 15.08%

The total Teacher Employee HIC 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 Teacher Employee HIC 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.



# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

#### *Net Political Subdivision HIC OPEB Liability*

The NHREC net Political Subdivision Health Insurance Credit OPEB Liability was measured as of June 30, 2022. The total Health Insurance OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

#### *Discount Rate*

The discount rate used to measure the total Teacher Employee HIC OPEB and the Political Subdivision HIC 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 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 each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. The rate contributed by NHREC for the Political Subdivision HIC OPEB was also 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies and employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's and the Political Subdivision HIC OPEB Plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees in each plan. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability and the total Political Subdivision HIC OPEB Plan.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**

Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***Sensitivity of the School Division’s Proportionate Share of the Teacher Employee HIC Net OPEB Liability and the Political Subdivision HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the school division’s proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net HIC 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:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
School division’s proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,472,866	\$ 1,306,877	\$ 1,166,173

The following represents NHREC’s proportionate share of the VRS Political Subdivision Health Insurance Credit Program net OPEB liability using the discount rate of 6.75%, as well as what NHREC’s proportionate share 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:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
School division’s proportionate share of the VRS Political Subdivision HIC OPEB Plan Net HIC OPEB Liability	\$ 23,231	\$ 20,881	\$ 18,857

***Political Subdivision Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB***

For the year ended June 30, 2023, NHREC recognized Political Subdivision Health Insurance Credit Program OPEB expense of \$1,905. At June 30, 2023, NHREC reported deferred outflows and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program from the following sources:

**NEW HORIZONS REGIONAL EDUCATION CENTERS**

Notes to Financial Statements

June 30, 2023

**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 71
Net difference between projected and actual earnings on Political HIC OPEB plan investments	63	-
Change in assumptions	610	-
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	1,930	-
Total	<u>\$ 2,603</u>	<u>\$ 71</u>

\$1,930 reported as deferred outflows of resources related to the HIC OPEB resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision HIC 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 HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

FY 2024	\$	161
FY 2025		161
FY 2026		156
FY 2027		125
FY 2028		(1)
Thereafter		-
	<u>\$</u>	<u>602</u>

***Payables to the Teacher Employee Health Insurance Credit Program OPEB Plan and the Political Subdivision Health Insurance Credit Program OPEN Plan***

At June 30, 2023, \$11,956 was payable to the Teachers Employee Health Insurance Credit Program OPEB Plan and \$170 was payable to the Political Subdivision Health Insurance Credit Program OPEB Plan.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

#### **Virginia Retirement System – Political Subdivision Virginia Local Disability Program**

##### **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.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**

Notes to Financial Statements

June 30, 2023

**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***Plan Description (Continued)***

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 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:

<b>POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>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 retirement benefits</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Benefit Amounts</b></p> <p>The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:</p> <p><b><u>Short-Term Disability</u></b> –</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Once the eligibility period is satisfied, employees are eligible for higher income replacement levels</li> </ul>

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

<p><b><u>Long-Term Disability –</u></b></p> <ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li></ul>
<p><b>Virginia Local Disability Program Notes:</b></p> <ul style="list-style-type: none"><li>• 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.</li><li>• VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.</li></ul>






### ***Contributions***

The contribution requirement for active Hybrid 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 NHREC to the VRS Political Subdivision Employee Virginia Local Disability Program were \$1,322 and \$1,272 for the years ended June 30, 2023 and June 30, 2022, respectively.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

***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***

At June 30, 2023, NHREC reported a liability of \$(192) 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, 2020, 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 0.03271% as compared to 0.03509% 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 \$1,043. 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.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**

Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 270	\$ 412
Net difference between projected and actual earnings on VLDP OPEB plan investments	-	1
Change in assumptions	7	69
Changes in proportion and differences between Employer contributions and proportionate share of contributions	30	37
Employer contributions subsequent to the measurement date	1,322	-
Total	<u>\$ 1,629</u>	<u>\$ 519</u>

\$1,322 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:



**NEW HORIZONS REGIONAL EDUCATION CENTERS**

Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Year ended June 30**

FY 2024	\$	(23)
FY 2025		(25)
FY 2026		(92)
FY 2027		11
FY 2028		(13)
Thereafter		(70)
	\$	<u>(212)</u>

***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):

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

**NEW HORIZONS REGIONAL EDUCATION CENTERS**

Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***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 the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed 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:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
Political subdivision’s proportionate share of the VRS Political Subdivision VLDP OPEB Plan Net VLDP OPEB Liability	\$ 20	\$ (192)	\$ (377)

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

At June 30, 2023, the amounts payable to the Political Subdivision Employee Virginia Local Disability Program OPEB Plan was \$139.

#### **Virginia Retirement System – Teacher Employee Virginia Local Disability Program**

##### **Summary of Significant Accounting Policies**

##### *Teacher Employee Virginia Local Disability Program*

The Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Teacher Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Virginia Local Disability Program OPEB, and the Teacher Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Teacher 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 Teacher Employee Virginia Local Disability Program**

##### *Plan Description*

All full-time, salaried permanent (professional) employees of public school divisions 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 Teacher 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. School divisions 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 employees either through a local plan or through the Virginia Local Disability Program (VLDP).

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

<b>TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>The Teacher 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 retirement benefits</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none"><li>• Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.</li></ul>
<p><b>Benefit Amounts</b></p> <p>The Teacher Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:</p> <p><b><u>Short-Term Disability –</u></b></p> <ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li><li>• Once the eligibility period is satisfied, employees are eligible for higher income replacement levels</li></ul> <p><b><u>Long-Term Disability –</u></b></p> <ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li></ul>

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

**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 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 school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 0.47% of covered employee compensation for employees in the VRS Teacher 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 school division to the VRS Teacher Employee Virginia Local Disability Program were \$23,723 and \$20,564 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the school division reported a liability of (\$611) for its proportionate share of the VRS Teacher Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2022 and the total VRS Teacher Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Teacher 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.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The school division's proportion of the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher 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 school division's proportion of the VRS Teacher Employee Virginia Local Disability Program was 0.54361% as compared to 0.58223% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee Virginia Local Disability Program OPEB expense of \$15,590. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Virginia Local Disability Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,208	\$ 1,854
Net difference between projected and actual earnings on Teacher VLDP OPEB plan investments	-	170
Change in assumptions	1,823	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	436	283
Employer contributions subsequent to the measurement date	23,723	-
Total	\$ 33,190	\$ 2,307

**NEW HORIZONS REGIONAL EDUCATION CENTERS**

Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

\$23,723 of deferred outflows of resources related to the Teacher Employee VLDP OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher 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 Teacher Employee VLDP OPEB will be recognized in the Teacher Employee VLDP OPEB expense in future reporting periods as follows:

**Year ended June 30**

FY 2024	\$	480
FY 2025		485
FY 2026		368
FY 2027		1,215
FY 2028		680
Thereafter		3,932
	\$	<u>7,160</u>

***Net Teacher Employee VLDP OPEB Liability***

The net OPEB liability (NOL) for the Teacher 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 Teacher Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	<b>Teacher Employee VLDP OPEB Plan</b>
Total Teacher Employee VLDP OPEB Liability	\$ 7,207
Plan Fiduciary Net Position	<u>7,320</u>
Teacher Employee net VLDP OPEB Liability (Asset)	<u>\$ (113)</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee VLDP OPEB Liability	101.57%

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The total Teacher 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 Teacher 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.

***Discount Rate***

The discount rate used to measure the total Teacher 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 school division for the VRS Teacher Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher 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 Teacher Employee VLDP OPEB liability.

***Sensitivity of the School Division’s Proportionate Share of the Teacher Employee VLDP Net OPEB Liability to Changes in the Discount Rate***

The following presents the school division’s proportionate share of the VRS Teacher Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the school division’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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division’s proportionate share of the VRS Teacher Employee VLDP OPEB Plan Net VLDP OPEB Liability	\$ 4,428	\$ (611)	\$ (4,970)



# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

#### *Payables to the Teacher Employee Virginia Local Disability Program OPEB Plan*

At June 30, 2023, the amount payable to the Teacher Employee Virginia Local Disability Program OPEB Plan was \$2,253.

#### **NHREC OPEB Liability – Medical Benefits**

##### *Plan Description*

NHREC provides post-retirement health care benefits, as a single-employer plan, in accordance with organization policy, to all employees who retire from NHREC who had health coverage as an active employee, are eligible to retire under the Virginia Retirement System, and meet the following requirements:

- Age 55 with 5 Years of Vested Service with VRS
- Age 50 with 10 Years of Vested Service with VRS
- A minimum of 24 months of participation in the health care plan prior to retirement.

Retirees have the option of receiving payment of \$30.00 per day (up to 200 days) for unused sick leave accumulated **OR** if their hire date is prior to July 1, 2015, use accumulated sick leave to purchase group health insurance that is offered through NHREC until the employee is eligible for Medicare. NHREC will pay the allowable percentage of its contribution until the retiree is eligible for Medicare. The retiree is required to pay the employee cost plus the unsubsidized percentage as well as any additional cost relating to having spouses or dependents covered in the plan. The following table describes the employer subsidy percentage based on sick days accrued:

<u>Number of Sick Leave Days Earned at NHREC</u>	<u>Amount NHREC Pays of Single Employee's Coverage Only</u>
1 – 49	0%
50 – 99	50%
100 – 149	65%
150 – 199	80%
200 or more	100%

##### *Funding Policy*

NHREC has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For fiscal year 2022-2023, retirees received post-employment health benefits. NHREC provided required contributions of \$5,301 toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses, net of retiree contributions totaling \$400. Required contributions are based on projected pay-as-you-go financing.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The Net OPEB Liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2022, rolled forward to June 30, 2023.

For the year ended June 30, 2023, the NHREC recognized OPEB expense of \$(2,692). OPEB expense was calculated as follows:

Service cost	\$	205,218
Interest		63,642
Projected earnings on OPEB trust		-
Changes in benefit terms		-
Differences between expected and actual earnings		
In current fiscal year recognized in current year		-
From past years recognized in current year		-
Differences between expected and actual experience		
In current fiscal year recognized in current year		(124,174)
From past years recognized in current year		(93,728)
Changes in assumptions		
In current fiscal year recognized in current year		(71,243)
From past years recognized in current year		<u>17,593</u>
Total OPEB Expense	\$	<u>(2,692)</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resource
Net Difference between projected and actual experience	\$ -	\$ 869,260
Change of assumptions	141,618	466,043
Difference between expected and actual Earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 141,618</u>	<u>\$ 1,335,303</u>

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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### NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Deferred Amounts</u>
2024	\$ (271,552)
2025	(271,552)
2026	(211,755)
2027	(210,629)
2028	(210,627)
Thereafter	<u>(17,570)</u>
	<u>\$ (1,193,685)</u>

The components of the net OPEB liability for the year ended June 30, 2023 were as follows:

Total OPEB liability	\$ 821,070
Plan fiduciary net position	<u>-</u>
Net OPEB liability	<u>\$ 821,070</u>

Fiduciary net position as a percent of total OPEB liability	<u>0.00%</u>
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#### *Actuarial Methods and Assumptions*

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan member in the future.

Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

In the June 30, 2023 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.86% rate of return (discount rate) as required by GASB 75 and an annual healthcare cost trend rate of 3.94%.

**Discount Rate** – the discount rate used to determine the liabilities was 3.86% and 3.69% at June 30, 2023 and 2022, respectively.

***Changes in Net OPEB Liability – NHREC Plan***

	Total Pension Liability <u>(a)</u>	Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) – (b)</u>
Balance – June 30, 2022	\$ 1,724,709	\$ -	\$ 1,724,709
Changes for the fiscal year:			
Service cost	205,218	-	205,218
Interest	63,642	-	63,642
Changes of benefit terms	-	-	-
Experience losses/(gains)	(745,041)	-	(745,041)
Employer trust contribution	-	-	-
Net investment income	-	-	-
Changes of assumptions	(427,458)	-	(427,458)
Benefit payments	-	-	-
Administrative expenses	-	-	-
Net changes	<u>(903,639)</u>	-	<u>(903,639)</u>
Balance – June 30, 2023	<u>\$ 821,070</u>	<u>\$ -</u>	<u>\$ 821,070</u>
Funded status		<u>0.00%</u>	

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Notes to Financial Statements

June 30, 2023

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**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Concluded)**

*Sensitivity of the OPEB Liability to Changes in the Discount Rate* – The following presents the net OPEB liability of NHREC, calculated using the discount rate of 3.8%, as well as what the net OPEB liability would be if it were calculated using the discount rate that is 1 percentage point higher 4.86% or 1 percentage point lower 2.86% than the current rate:

	1% Decrease <u>(2.86%)</u>	Current Discount Rate <u>(3.86%)</u>	1% Increase <u>(4.86%)</u>
Net OPEB liability	\$ <u>866,664</u>	\$ <u>821,070</u>	\$ <u>775,370</u>

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the net OPEB liability of NHREC, as well as what the OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower 2.94% or 1 percentage point higher 4.94% than the current healthcare cost trend rates:

	1% Decrease <u>(2.94%)</u>	Current Discount Rate <u>(3.94%)</u>	1% Increase <u>(4.94%)</u>
Net OPEB liability	\$ <u>724,053</u>	\$ <u>821,070</u>	\$ <u>934,066</u>

**NOTE 12. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 22, 2024, the date on which the financial statements were available to be issued, and determined that no additional events have occurred since the balance sheet date that would have a material impact on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
Schedule of Employer's Share of Net Pension Liability - Nonprofessional Employees  
Nine Years Ended June 30, 2023

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 38,820	\$ 37,485	\$ 34,262	\$ 35,981	\$ 32,607	\$ 30,882	\$ 26,804	\$ 31,074	\$ 37,362
Interest	89,252	80,050	77,065	73,962	71,090	71,163	64,899	62,521	59,628
Difference between expected and actual experience	21,272	20,091	3,066	19,142	8,860	(60,733)	65,464	4,055	-
Changes of assumptions	-	32,583	-	30,162	-	20,415	-	-	-
Benefit payments	(73,291)	(70,899)	(68,236)	(64,008)	(63,031)	(62,246)	(62,184)	(53,921)	(56,835)
Refunds of contributions	-	(1,217)	-	(16,027)	-	(253)	(10,703)	(546)	-
Net change in total pension liability	76,053	98,093	46,157	79,212	49,526	(772)	84,280	43,183	40,155
Total pension liability - beginning	1,320,074	1,221,981	1,175,824	1,096,612	1,047,086	1,047,858	963,578	920,395	880,240
Total pension liability - ending	\$ 1,396,127	\$ 1,320,074	\$ 1,221,981	\$ 1,175,824	\$ 1,096,612	\$ 1,047,086	\$ 1,047,858	\$ 963,578	\$ 920,395
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ 54,046	\$ 51,141	\$ 48,900	\$ 46,736	\$ 52,460	\$ 39,896	\$ 31,928	\$ 32,407	\$ 33,557
Contributions - employee	17,388	16,490	16,259	15,440	15,572	11,978	11,606	11,871	12,738
Net investment income	(1,511)	226,490	15,087	51,222	53,562	79,350	10,980	29,976	89,920
Benefit payments	(73,291)	(70,899)	(68,236)	(64,008)	(63,031)	(62,246)	(62,184)	(53,921)	(56,835)
Refunds of contributions	-	(1,217)	-	(16,027)	-	(253)	(10,703)	(546)	-
Administrative expenses	(647)	(552)	(519)	(515)	(449)	(459)	(425)	(414)	(488)
Other	25	21	(19)	(32)	(48)	(71)	(5)	(6)	5
Net change in plan fiduciary net position	(3,990)	221,474	11,472	32,816	58,066	68,195	(18,803)	19,367	78,897
Plan fiduciary net position - beginning	1,046,668	825,194	813,722	780,906	722,840	654,645	673,448	654,081	575,184
Plan fiduciary net position - ending	\$ 1,042,678	\$ 1,046,668	\$ 825,194	\$ 813,722	\$ 780,906	\$ 722,840	\$ 654,645	\$ 673,448	\$ 654,081
<b>Net pension liability (asset)</b>	\$ 353,449	\$ 273,406	\$ 396,787	\$ 362,102	\$ 315,706	\$ 324,246	\$ 393,213	\$ 293,551	\$ 266,314
Plan fiduciary net position as a percentage of total pension liability	74.68%	79.29%	67.53%	69.20%	71.21%	69.03%	62.47%	69.89%	71.07%
Covered-employee payroll	\$ 344,629	\$ 378,418	\$ 357,991	\$ 352,216	\$ 328,868	\$ 319,353	\$ 297,238	\$ 293,551	\$ 255,252
Net pension liability as a percentage of covered employee payroll	102.56%	72.25%	110.84%	102.81%	96.00%	101.53%	132.29%	100.00%	104.33%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
**Schedule of Employer's Share of Net Pension Liability - Professional Employees**  
**Nine Years Ended June 30, 2023**

<u>Date</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the NPL as a % of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
June 30, 2023	0.10337%	\$ 9,841,443	\$ 10,364,456	94.95%	82.61%
June 30, 2022	0.10458%	\$ 8,118,647	\$ 9,751,948	83.25%	85.46%
June 30, 2021	0.10342%	\$ 15,050,326	\$ 9,364,932	160.71%	71.47%
June 30, 2020	0.10593%	\$ 13,940,990	\$ 9,103,883	153.13%	73.51%
June 30, 2019	0.10781%	\$ 12,678,000	\$ 8,925,753	142.04%	74.81%
June 30, 2018	0.10401%	\$ 12,791,000	\$ 8,768,515	145.87%	72.92%
June 30, 2017	0.10272%	\$ 14,395,000	\$ 8,738,928	164.72%	68.28%
June 30, 2016	0.10166%	\$ 12,795,000	\$ 8,212,166	155.81%	70.68%
June 30, 2015	0.10270%	\$ 12,411,000	\$ 6,917,047	179.43%	70.88%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.



**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
**Schedule of Employer Contributions - Professional Employees**  
**Nine Years Ended June 30, 2023**

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contributions as a Percentage of Covered Employee Payroll (b)/(d)
June 30, 2023	\$ 1,722,573	\$ 1,721,158	\$ 1,415	\$ 10,364,456	16.61%
June 30, 2022	\$ 1,620,774	\$ 1,620,027	\$ 747	\$ 9,751,948	16.61%
June 30, 2021	\$ 1,556,452	\$ 1,556,452	\$ (0)	\$ 9,364,932	16.62%
June 30, 2020	\$ 1,427,489	\$ 1,427,489	\$ (0)	\$ 9,103,883	15.68%
June 30, 2019	\$ 1,399,558	\$ 1,399,558	\$ 0	\$ 8,925,753	15.68%
June 30, 2018	\$ 1,431,022	\$ 1,431,576	\$ (554)	\$ 8,768,515	16.33%
June 30, 2017	\$ 1,267,145	\$ 1,202,687	\$ 64,458	\$ 8,738,928	13.76%
June 30, 2016	\$ 1,190,764	\$ 1,124,629	\$ 66,135	\$ 8,212,166	13.69%
June 30, 2015	\$ 1,002,972	\$ 1,096,229	\$ (93,257)	\$ 6,917,047	15.85%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

**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 the VRS Board action effective as of July 19, 2019. Changes to the actuarial assumptions as a result of the experience study and the 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 year age and service through 9 years of service
- \* Disability Rates - No change
- \* Salary Scale - No change
- \* Discount Rate - No change

**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
**Schedule of Employer Contributions - Nonprofessional Employees**  
**Nine Years Ended June 30, 2023**

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contributions as a Percentage of Covered Employee Payroll (b)/(d)
June 30, 2023	\$ 52,728	\$ 52,702	\$ 26	\$ 344,629	15.29%
June 30, 2022	\$ 57,898	\$ 57,813	\$ 85	\$ 378,418	15.28%
June 30, 2021	\$ 54,773	\$ 54,773	\$ (0)	\$ 357,991	15.30%
June 30, 2020	\$ 52,339	\$ 52,339	\$ 0	\$ 352,216	14.86%
June 30, 2019	\$ 48,870	\$ 48,870	\$ (0)	\$ 328,868	14.86%
June 30, 2018	\$ 52,438	\$ 51,138	\$ 1,300	\$ 319,353	16.01%
June 30, 2017	\$ 34,297	\$ 47,028	\$ (12,731)	\$ 252,185	18.65%
June 30, 2016	\$ 32,137	\$ 32,453	\$ (316)	\$ 236,304	13.73%
June 30, 2015	\$ 33,013	\$ 31,831	\$ 1,182	\$ 242,740	13.11%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

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 BRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non 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 from 75 to 80 for all
- \* 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

**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
**Schedule of Employer's Share of OPEB Liability**  
**Group Life Insurance Program - Nonprofessional Employees**  
**Six Years Ended June 30, 2023**

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability as a % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
June 30, 2022	0.00174%	\$ 20,951	\$ 344,629	6.08%	67.21%
June 30, 2021	0.00174%	\$ 20,259	\$ 378,418	5.35%	67.45%
June 30, 2020	0.00171%	\$ 28,537	\$ 357,991	7.97%	52.64%
June 30, 2019	0.00168%	\$ 27,338	\$ 352,216	7.76%	52.00%
June 30, 2018	0.00168%	\$ 25,000	\$ 328,868	7.60%	51.22%
June 30, 2017	0.00137%	\$ 20,000	\$ 252,185	7.93%	48.86%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**

Schedule of Employer's Share of Net OPEB Liability  
Group Life Insurance Program - Professional Employees  
Six Years Ended June 30, 2023

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<u>Date</u>	<u>Employer's Proportion of the Net GLI OPEB Liability</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability as a % of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
June 30, 2022	0.04510%	\$ 543,047	\$ 10,375,672	5.23%	67.21%
June 30, 2021	0.04544%	\$ 529,045	\$ 9,809,773	5.39%	67.45%
June 30, 2020	0.04443%	\$ 741,464	\$ 9,382,318	7.90%	52.64%
June 30, 2019	0.04566%	\$ 743,010	\$ 9,143,794	8.13%	52.00%
June 30, 2018	0.04611%	\$ 701,000	\$ 8,951,651	7.83%	51.22%
June 30, 2017	0.04492%	\$ 676,000	\$ 8,768,515	7.71%	48.86%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

# NEW HORIZONS REGIONAL EDUCATION CENTERS

## Schedule of GLI OPEB Contributions

Ten Years Ended June 30, 2023

Date	(a) Contractually Required Contributions	(b) Contractually Required Contributions	(c) Deficiency (Excess) (a) - (b)	(d) Employer's Covered Payroll	(e) Contributions as a Percentage of Covered Payroll (b) / (d)
<b>Nonprofessional</b>					
June 30, 2023	\$ 1,861	\$ 1,861	\$ -	\$ 344,629	0.54%
June 30, 2022	2,043	2,043	-	378,418	0.54%
June 30, 2021	1,933	1,933	-	357,991	0.54%
June 30, 2020	1,832	1,832	-	352,216	0.52%
June 30, 2019	1,710	1,710	-	328,868	0.52%
June 30, 2018	1,661	1,661	-	319,353	0.52%
June 30, 2017	1,311	1,311	-	252,185	0.52%
June 30, 2016	1,252	1,134	118	236,304	0.48%
June 30, 2015	1,287	1,165	122	242,740	0.48%
June 30, 2014	1,357	1,229	128	256,073	0.48%
<b>Professional</b>					
June 30, 2023	\$ 56,029	\$ 56,029	\$ -	\$ 10,375,672	0.54%
June 30, 2022	52,973	52,973	-	9,809,773	0.54%
June 30, 2021	50,665	50,665	-	9,382,318	0.54%
June 30, 2020	47,548	47,548	-	9,143,794	0.52%
June 30, 2019	46,549	46,549	-	8,951,651	0.52%
June 30, 2018	45,596	45,596	-	8,768,515	0.52%
June 30, 2017	43,090	43,090	-	8,286,621	0.52%
June 30, 2016	41,699	37,765	3,934	7,867,782	0.48%
June 30, 2015	40,112	36,328	3,784	7,568,344	0.48%
June 30, 2014	40,158	36,369	3,789	7,576,902	0.48%

**NEW HORIZONS REGIONAL EDUCATION CENTERS**

Schedule of Employer's Share of OPEB Liability  
Teacher Employee Health Insurance Credit Program  
Six Years Ended June 30, 2023

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<u>Date</u>	<u>Employer's Proportion of the Net HIC OPEB Liability</u>	<u>Employer's Proportionate Share of the Net HIC OPEB Liability</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net HIC OPEB Liability as a % of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
June 30, 2022	0.10463%	\$ 1,306,877	\$ 10,364,456	12.61%	15.08%
June 30, 2021	0.10589%	\$ 1,359,171	\$ 9,751,948	13.94%	13.15%
June 30, 2020	0.10385%	\$ 1,354,741	\$ 9,364,932	14.47%	9.95%
June 30, 2019	0.10641%	\$ 1,393,011	\$ 9,103,883	15.30%	8.97%
June 30, 2018	0.10819%	\$ 1,373,000	\$ 8,925,753	15.38%	8.08%
June 30, 2017	0.10443%	\$ 1,325,000	\$ 8,738,928	15.16%	7.04%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**

Schedule of Employer Teacher HIC OPEB Contributions

Ten Years Ended June 30, 2023

<b>Date</b>	<b>(a) Contractually Required Contributions</b>	<b>(b) Contributions in Relation to Contractually Required Contributions</b>	<b>(c) Contribution Deficiency (Excess) (a) - (b)</b>	<b>(d) Employer's Covered Payroll</b>	<b>(e) Contributions as a Percentage of Covered Payroll (b) / (d)</b>
June 30, 2023	\$ 125,410	\$ 125,410	\$ -	\$ 10,364,456	1.21%
June 30, 2022	117,999	117,999	-	9,751,948	1.21%
June 30, 2021	113,316	113,316	-	9,364,932	1.21%
June 30, 2020	109,247	109,247	-	9,103,883	1.20%
June 30, 2019	107,109	107,109	-	8,925,753	1.20%
June 30, 2018	107,622	107,622	-	8,749,778	1.23%
June 30, 2017	101,369	91,479	9,890	8,241,362	1.11%
June 30, 2016	92,417	83,019	9,398	7,831,978	1.06%
June 30, 2015	89,191	80,121	9,070	7,568,344	1.06%
June 30, 2014	87,871	83,364	4,507	7,510,305	1.11%

**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability and Related Ratios  
Year Ended June 30, 2023

	2022	2021	2020
<b>Total Pension Liability</b>			
Service cost	\$ 387	\$ 440	\$ -
Interest	1,555	1,396	-
Changes in benefit terms	-	-	20,682
Difference between actual and expected experience	(87)	(1)	-
Changes in assumptions	466	397	-
Benefit payments	2,321	-	-
Net change in total HIC OPEB liability	4,642	2,232	20,682
Total HIC OPEB liability - beginning	22,914	20,682	-
Total HIC OPEB liability - ending	<u>\$ 27,556</u>	<u>\$ 22,914</u>	<u>\$ 20,682</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 2,119	\$ 2,005	\$ -
Net investment income	(31)	278	-
Benefit payments	(540)	-	-
Administrative expense	(8)	(9)	-
Net change in plan fiduciary net position	1,540	2,274	-
Plan fiduciary net position - beginning	2,274	-	-
Plan fiduciary net position - ending	<u>\$ 3,814</u>	<u>\$ 2,274</u>	<u>\$ -</u>
<b>Political subdivision's net HIC OPEB liability - ending</b>	<u>\$ 23,742</u>	<u>\$ 20,640</u>	<u>\$ 20,682</u>
Plan fiduciary net position as a percentage of total pension liability	<u>9.92%</u>	<u>N/A</u>	<u>N/A</u>
Covered-employee payroll	<u>\$ 344,629</u>	<u>\$ 378,418</u>	<u>\$ 357,991</u>
Net pension liability as a percentage of covered employee payroll	<u>6.89%</u>	<u>5.45%</u>	<u>5.78%</u>

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.



**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
**Schedule of Employer Political Subdivision HIC OPEB Contributions**  
**Three Years Ended June 30, 2023**

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<b>Date</b>	<b>(a)</b> <b>Contractually</b> <b>Required</b> <b>Contributions</b>	<b>(b)</b> <b>Contributions</b> <b>in Relation to</b> <b>Contractually</b> <b>Required</b> <b>Contributions</b>	<b>(c)</b> <b>Contribution</b> <b>Deficiency</b> <b>(Excess)</b> <b>(a) - (b)</b>	<b>(d)</b> <b>Employer's</b> <b>Covered</b> <b>Payroll</b>	<b>(e)</b> <b>Contributions</b> <b>as a Percentage</b> <b>of Covered</b> <b>Payroll</b> <b>(b) / (d)</b>
June 30, 2023	\$ 1,930	\$ 1,930	\$ -	\$ 344,629	0.56%
June 30, 2022	\$ 2,119	\$ 2,119	\$ -	\$ 378,418	0.56%
June 30, 2021	\$ 2,005	\$ 2,002	\$ 3	\$ 357,991	0.56%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
**Schedule of Employer's Share of Net OPEB Liability**  
**Virginia Local Disability Program - Nonprofessional Employees**  
**Six Years Ended June 30, 2023**

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<u>Date</u>	<u>Employer's Proportion of the Net VLDP OPEB Liability</u>	<u>Employer's Proportionate Share of the Net VLDP OPEB Liability</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net VLDP OPEB Liability as a % of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
June 30, 2022	0.03271%	\$ (192)	\$ 155,561	-0.12%	107.99%
June 30, 2021	0.03509%	\$ (355)	\$ 153,274	-0.23%	119.59%
June 30, 2020	0.03630%	\$ 362	\$ 141,015	0.26%	76.88%
June 30, 2019	0.03250%	\$ 658	\$ 135,240	0.49%	49.19%
June 30, 2018	0.03688%	\$ 1,000	\$ 100,368	1.00%	51.39%
June 30, 2017	0.01463%	\$ -	\$ 89,547	0.00%	38.40%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
**Schedule of Employer's Share of Net OPEB Liability**  
**Virginia Local Disability Program - Professional Employees**  
**Six Years Ended June 30, 2023**

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<u>Date</u>	<u>Employer's Proportion of the Net VLDP OPEB Liability</u>	<u>Employer's Proportionate Share of the Net VLDP OPEB Liability</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net VLDP OPEB Liability as a % of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
June 30, 2023	0.54361%	\$ (611)	\$ 5,047,458	-0.01%	101.57%
June 30, 2022	0.58223%	\$ (4,099)	\$ 4,375,307	-0.09%	114.46%
June 30, 2021	0.54694%	\$ 4,388	\$ 3,917,873	0.11%	78.28%
June 30, 2020	0.50659%	\$ 2,945	\$ 3,235,106	0.09%	74.12%
June 30, 2019	0.56710%	\$ 4,000	\$ 2,429,365	0.16%	46.18%
June 30, 2018	0.60740%	\$ 3,000	\$ 1,714,088	0.18%	31.96%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
Schedule of Employer Virginia Local Disability Program (VLDP)  
Ten Years Ended June 30, 2023

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Payroll	(e) Contributions as a Percentage of Covered Payroll (b) / (d)
<b>Nonprofessional</b>					
June 30, 2023	\$ 1,322	\$ 1,322	\$ -	\$ 155,561	0.85%
June 30, 2022	1,272	1,272	-	153,274	0.83%
June 30, 2021	1,170	1,170	-	141,015	0.83%
June 30, 2020	974	974	-	135,240	0.72%
June 30, 2019	622	622	-	100,368	0.62%
June 30, 2018	537	537	-	89,547	0.60%
June 30, 2017	161	161	-	26,867	0.60%
June 30, 2016	125	125	-	20,880	0.60%
June 30, 2015	41	41	-	6,817	0.60%
June 30, 2014	40	40	-	6,612	0.60%
<b>Professional</b>					
June 30, 2023	\$ 23,723	\$ 23,723	\$ -	\$ 5,047,458	0.47%
June 30, 2022	20,564	20,564	-	4,375,307	0.47%
June 30, 2021	18,414	18,414	-	3,917,873	0.47%
June 30, 2020	13,264	13,264	-	3,235,106	0.41%
June 30, 2019	9,960	9,960	-	2,429,365	0.41%
June 30, 2018	6,555	6,555	-	2,114,532	0.31%
June 30, 2017	5,314	5,314	-	1,714,088	0.31%
June 30, 2016	3,313	3,313	-	1,142,329	0.29%
June 30, 2015	1,078	1,078	-	371,600	0.29%
June 30, 2014	53	53	-	18,144	0.29%

**NEW HORIZONS REGIONAL EDUCATION CENTERS**  
Schedule of Changes in the Total Liability and Related Ratios - NHREC OPEB  
Six Years Ended June 30, 2023

<b>Disclosure for fiscal year ending:</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Measurement Date:</b>	<b>6/30/2023</b>	<b>6/30/2022</b>	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>6/30/2018</b>
Total OPEB liability						
Service cost	\$ 205,218	\$ 171,810	\$ 166,220	\$ 156,792	\$ 127,668	\$ 123,523
Interest cost	63,642	31,997	36,000	40,418	56,023	50,992
Changes in benefit terms	-	-	-	-	-	-
Experience losses/(gains)	-	-	(162,499)	-	-	-
Differences between expected and actual experience	(745,041)	-	-	-	(513,910)	-
Changes of assumptions	(427,458)	(140,560)	181,362	(7,900)	98,936	(4,096)
Benefit payments	-	(10,160)	(18,863)	(22,449)	(51,203)	(19,505)
Net change in total OPEB liability	(903,639)	53,087	202,220	166,861	(282,486)	150,914
Total OPEB liability, beginning of year	<u>1,724,709</u>	<u>1,671,622</u>	<u>1,469,402</u>	<u>1,302,541</u>	<u>1,585,027</u>	<u>1,434,113</u>
Total OPEB liability, end of year	<u>821,070</u>	<u>1,724,709</u>	<u>1,671,622</u>	<u>1,469,402</u>	<u>1,302,541</u>	<u>1,585,027</u>

Information for FYE 2017 and earlier is not available

<b>Disclosure for fiscal year ending:</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Measurement Date:</b>	<b>6/30/2023</b>	<b>6/30/2022</b>	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>6/30/2018</b>
Contributions - Employer	\$ -	\$ 10,160	\$ 18,863	\$ 22,449	\$ 51,203	\$ 19,505
Net investment income	-	-	-	-	-	-
Benefit payments (net of retiree contributions)	-	(10,160)	(18,863)	(22,449)	(51,203)	(19,505)
Administrative expense	-	-	-	-	-	-
Net change in fiduciary net position	-	-	-	-	-	-
Fiduciary net position - beginning of year	-	-	-	-	-	-
Fiduciary net position - end of year	-	-	-	-	-	-
Net OPEB liability	<u>821,070</u>	<u>1,724,709</u>	<u>1,671,622</u>	<u>1,469,402</u>	<u>1,302,541</u>	<u>1,585,027</u>
Fiduciary net position as a % of total OPEB liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB liability as a % of payroll	N/A	N/A	N/A	N/A	N/A	N/A
Expected average remaining service years of all participants	6	8	8	7	7	8

Information for FYE 2017 and earlier is not available

**Notes to Schedule:**

*Benefit changes: None*

*Changes of assumption: the discount rate was changed as follows:*

**Discount Rate:**

6/30/18 - 2.85%  
6/30/19 - 3.13%  
6/30/20 - 2.45%  
6/30/21 - 1.92%  
6/30/22 - 3.69%  
6/30/23 - 3.86%



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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***

The Board of Trustees  
New Horizons Regional Education Centers

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activity, the component unit, the major funds, and the activity funds of New Horizons Regional Education Centers, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise New Horizons Regional Education Centers' basic financial statements, and have issued our report thereon dated January 22, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered New Horizons Regional Education Centers' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Horizons Regional Education Centers' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*A. Rohm, Smith & Company*

Newport News, Virginia

January 22, 2024