SOUTHSIDE BEHAVIORAL HEALTH

SOUTHSIDE BEHAVIORAL HEALTH

FINANCIAL REPORT

June 30, 2024

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SOUTHSIDE BEHAVIORAL HEALTH

DIRECTORY OF PRINCIPAL OFFICIALS

JUNE 30, 2024

BOARD OF DIRECTORS

Dr. Betty Adams – Chair

Ivan Hargrove – Vice-Chair

Joan Bowers – Secretary

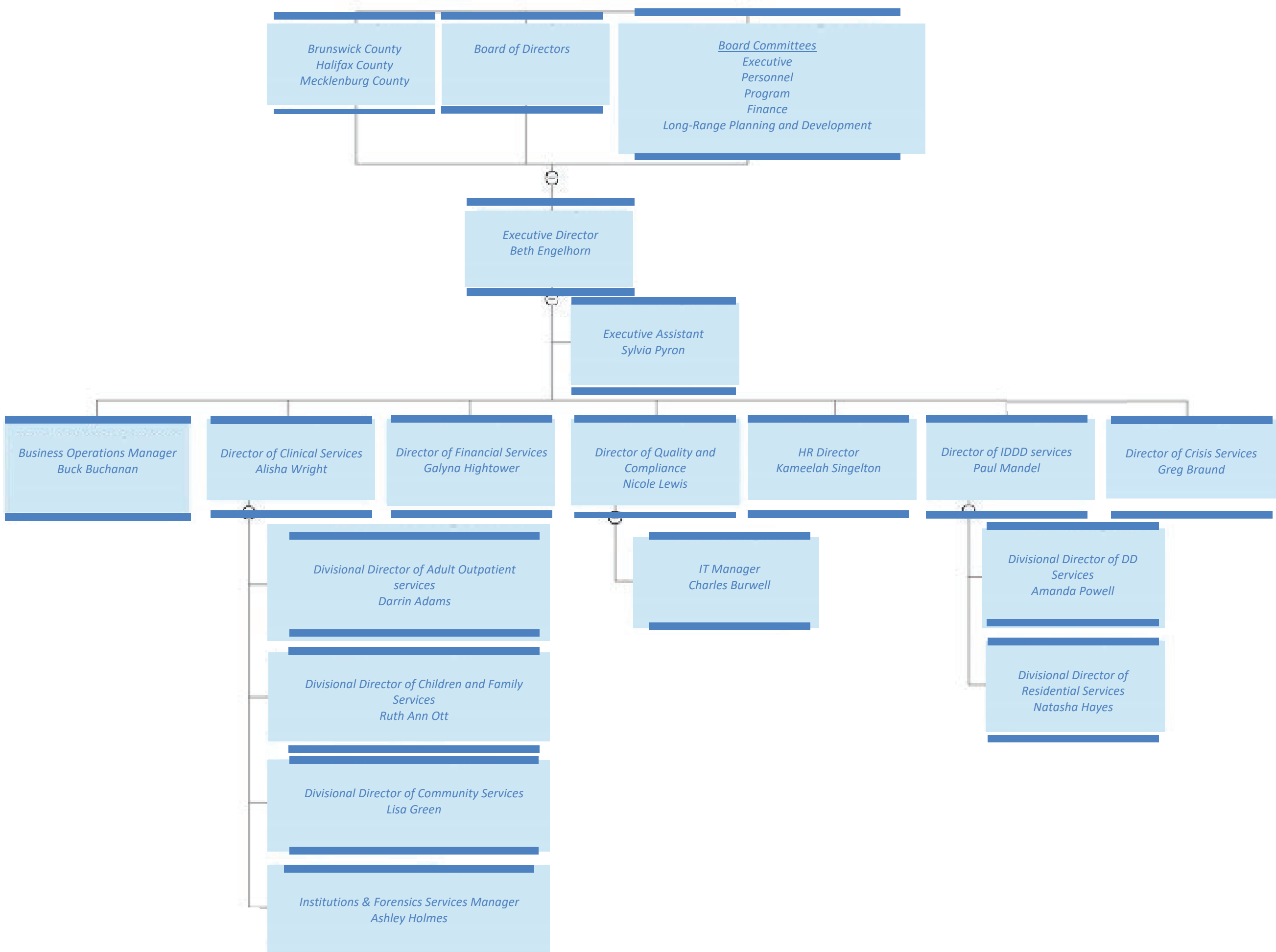
Evella Hutcheson – Treasurer

Mary Jane Collie	Debi Knox
Stuart Comer	Tammy Mull

PRINCIPAL MANAGEMENT TEAM

Elizabeth Engelhorn	Executive Director
Alisha Wright	Director of Clinical Services
Charles Burwell	IT Manager
Paul Mandel	Director of Community Services
Galyna Hightower	Financial Services Director
Kameelah Singleton	Human Resources Director
Nicole Lewis	Quality Director
Kenan Tyner-Smith	Director of Prevention & Community Connection

SOUTHSIDE BEHAVIORAL HEALTH



Independent Auditors' Report

To the Board of Directors
Southside Behavioral Health
Clarksville, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Southside Behavioral Health, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Southside Behavioral Health's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Southside Behavioral Health, as of June 30, 2024, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* 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, *Governmental Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, 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 Southside Behavioral Health's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southside Behavioral Health's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding as listed 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.

Report on Summarized Comparative Information

We have previously audited Southside Community Services financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southside Behavioral Health's basic financial statements. The accompanying other supplementary information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2024, on our consideration of Southside Behavioral Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southside Behavioral Health's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southside Behavioral Health's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 19, 2024

Southside Behavioral Health organization provides services in a professional manner based on individualized, culturally competent care that supports wellness and quality of life in a recovery-oriented environment.

The operational efficiency and effectiveness of Southside Behavioral Health (SBH) are of great interest to the general public in Southside Virginia. While oversight responsibility of SBH services rests with the Virginia Department of Behavioral Health and Developmental Services, operational responsibility rests with the Board of Directors of Southside Behavioral Health and the Executive Director (including the Board's top management team). Also, the Boards of Supervisors of Brunswick, Halifax, and Mecklenburg Counties are included in the oversight tasks. All members of the Board of Directors are appointed by the respective counties Boards of Supervisors.

An essential part of the overall management responsibility is the issuance of an annual Financial Audit conducted by an independent, certified public accounting firm. This document summarizes the financial operations conducted during the course of State Fiscal Year which ended June 30, 2024.

Monthly financial statements are prepared by SBH's financial department and presented to the full Board of Directors.

Annual budgets and performance contracts reflect operational plans for continuity of services in mental health, developmental disabilities, substance use disorder, and prevention of substance misuse and suicide. It is management's responsibility to ensure that qualified staff are employed and engaged in the provision of needed services.

Beginning with 2019 fiscal year, all operating community service boards and behavioral health authorities (CSBs) governed by the Virginia Department of Behavioral Health and Developmental Services (DBHDS) performance contract, are required to maintain a reserve sufficient to cover two months of personnel and operating expenses for the CSB. On June 30, 2024, SBH's calculated reserve included approximately four months of personnel and operating expenses.

Southside Behavioral Health continuously evaluates its policies to ensure that all individuals seeking services are assessed to identify treatment needs.

Funding Analysis

Over the past year, there were several changes in SBH's funding that primarily resulted from the following:

1. Behavioral Health

    a. Continue to develop Permanent Supportive Housing program.

    b. Ensure that the number of individuals attending Psychosocial Rehab meet ratios for staffing.

    c. Same Day Access should be evaluated to ensure client needs are being met.

    d. Continue to work with local school districts to increase access to services in the school system.

Funding Analysis (Continued)

2. Developmental Disabilities

    a. Continue to develop workforce for case management, day support programs and residential programs.

    b. Continue to develop programing for day support programs and community engagement to build community-based services.

    c. Continued growth in the number of individuals receiving Early Intervention Services.

3. Substance Use Disorder

    a. Continue capacity building of Southside Wellness Coalition to provide training and education to the community.

    b. Continue providing virtual suicide and substance misuse prevention training.

    c. Continue to provide Recovery Court Services.

    d. Continue to build services and increase specifically Office Based Assisted Treatment accessibility for opiate addiction, and other substances in the area, and find increase funding, opiate addiction and other substances in the area and find increased funding.

The Board's three disability programs' total funding is as follows:

	2024	2023	2024 (Decrease) Increase to 2023%
Mental Health	$ 10,462,575	$ 8,884,338	17.76 %
Developmental Disabilities	6,096,256	5,023,685	21.35
Substance Use Disorder	1,864,642	1,577,094	18.23
Annual Totals	$ 18,423,473	$ 15,485,117	18.98 %

Other items, included in the fiscal year revenue, are HUD projects revenue, interest revenue, gain or loss on sale of asset, and other miscellaneous items.

Financial Analysis

It should be noted that SBH does not carry any long-term liabilities on its Statement of Net Position except for the net postemployment benefit liability and lease and subscription liabilities, which are a result of no outstanding debt incurred from previously borrowed money.

Over the past years, all capital outlays have been absorbed through either annual operational cost and/or net position.

Net position is an excellent barometer of SBH's current financial position. The following condensed summary of SBH's statement of net position and operations for the years ended June 30, 2024, and June 30, 2023, lists net position at $13,994,059 and $11,828,524 with respective changes in net position of $2,165,535 and $90,237.

SBH's cash position increased approximately ten percent, mainly due to an increase in operating revenue and an increase in funding from state and federal governments.

Financial Summary

Financial Position: A summary of the Board's Statement of Net Position as of June 30, 2024 and June 30, 2023 is presented below:

Condensed Combined Statement of Net Position

	2024	2023
Assets		
Current assets	$ 10,975,545	$ 10,029,709
Current restricted	124,178	162,088
Other assets		
Capital assets (net of accumulated depreciation)	7,815,843	6,768,263
Net pension asset	2,819,780	1,959,468
Net OPEB asset	15,304	-
Total assets	$ 21,750,650	$ 18,919,528
Deferred Outflows of Resources		
Pension related items	$ 323,389	$ 490,315
OPEB related items	119,794	116,243
Total deferred outflows of resources	$ 443,183	$ 606,558
Liabilities		
Current liabilities	$ 5,788,632	$ 5,817,923
Restricted	16,270	24,776
Lease liabilities - net of current portion	8,794	9,770
Subscription liabilities - net of current portion	693,654	54,797
Net OPEB liability	405,008	420,828
Total liabilities	$ 6,912,358	$ 6,328,094
Deferred Inflows of Resources		
Pension related items	$ 1,155,373	$ 1,211,250
OPEB related items	132,043	158,218
Total deferred inflows of resources	1,287,416	1,369,468
Net Position		
Net investment in capital assets	$ 6,915,013	$ 6,570,587
Restricted	4,808,224	3,868,358
Unrestricted	2,270,822	1,389,579
	$ 13,994,059	$ 11,828,524

Summary of Operations and Changes in Net Position

Condensed Combined Statement of Revenues, Expenses and Changes in Net Position

	2024	2023
Operating revenues	$ 9,348,350	$ 7,958,684
Operating expenses	16,946,189	15,715,297
Operating income (loss)	$ (7,597,839)	$ (7,756,613)
Total nonoperating revenues	9,763,374	7,846,850
Change in net position	$ 2,165,535	$ 90,237

Summary of Operations and Changes in Net Position: (Continued)

Operating Revenue is the amount of revenue received from providing services to the individuals. The vast majority of that revenue, approximately 96.58% in 2024 fiscal year, was received from Medicaid (see Note 10). The gradual migration to Medicaid revenues will no longer allow management to provide services based only on state or federal program funding. Overall, Operating Revenue increased approximately 17.46% mainly due to an increase in services provided.

Operating Expenses are the sum of direct and indirect costs of operating SBH. These include salaries and benefits, occupancy, payments to contracting entities, depreciation, etc. See the full Statement of Revenues, Expenses, and Changes in Fund Net Position for a complete breakdown of these expenditures for 2024 and 2023 fiscal years. During 2024 fiscal year, Operating Expenses increased approximately by 8%. The increase is primarily attributed to hiring of workforce which led to an increase in personnel and other operating expenses.

Analysis of Cash Flows

There was a net increase of $883,479 in cash and cash equivalents for the year ending June 30, 2024, compared to a net increase of $1,173,978 for the year ending June 30, 2023. This increase mainly attributed to a reduction in payments for goods and services, payments to employees, and an increase in contributions from federal and local government. During 2024 fiscal year, the contributions from state, federal, and local governments increased by 21.20%.

During 2024 fiscal year, interest earned on investments increased when compared to 2023 fiscal year. SBH continued to invest in the same sources in 2024 as in 2023. Earnings from these investments were $311,645 in 2024 and $113,825 in 2023.

Condensed Combined Statement of Cash Flows

	2024	2023
Cash flows from operating activities	$ (7,779,065)	$ (7,872,755)
Cash flows from noncapital financing activities	9,361,578	10,449,695
Cash flows from capital and related financing activities	(1,010,679)	(1,516,787)
Cash flows from investing activities	311,645	113,825
Net cash increase (decrease)	$ 883,479	$ 1,173,978

Capital Assets

SBH's net capital assets increased by $1,047,580 in 2024 from 2023 and increased by $692,290 in 2023 from 2022.

The assets which are no longer in service were removed from the Capital Assets.

The financial position of SBH is measured in terms of resources (assets) it owns and obligations (liabilities) it owes on a given date. This strong liquidity and lack of debt shows our financial position to be robust and secure.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Galyna Hightower, Financial Services Director, Southside Behavioral Health, 143 Industrial Parkway, Clarksville, Virginia 23927.

Basic Financial Statements

SOUTHSIDE BEHAVIORAL HEALTH

Statement of Net Position
At June 30, 2024
(With Comparative Totals for 2023)

	2024	2023
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 2)	$ 9,430,734	$ 8,509,345
Accounts receivable, net (Note 3)	1,018,924	808,715
Other receivables	299,960	505,815
Prepaid expenses and other	225,927	205,834
Cash and cash equivalents, restricted (Note 2)	124,178	162,088
Total current assets	$ 11,099,723	$ 10,191,797
Capital Assets:		
Capital assets, net (Note 4)	$ 7,815,843	$ 6,768,263
Other Assets:		
Net pension asset (Note 6)	$ 2,819,780	$ 1,959,468
Net OPEB asset (Note 8)	15,304	-
Total other assets	$ 2,835,084	$ 1,959,468
Total assets	$ 21,750,650	$ 18,919,528
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items (Note 6)	$ 323,389	$ 490,315
OPEB related items (Note 8)	119,794	116,243
Total deferred outflows of resources	$ 443,183	$ 606,558
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 372,213	$ 468,569
Accrued payroll and related liabilities	483,765	452,450
Other liabilities	9,604	9,233
Unearned revenue	4,265,243	4,341,584
Amounts held for clients, payable from restricted assets	16,270	24,776
Compensated absences	459,425	412,978
Lease liabilities - current portion	6,205	5,182
Subscription liabilities - current portion	192,177	127,927
Total current liabilities	$ 5,804,902	$ 5,842,699
Long-Term Liabilities:		
Lease liabilities - net of current portion	$ 8,794	$ 9,770
Subscription liabilities - net of current portion	693,654	54,797
Net OPEB liabilities (Note 8)	405,008	420,828
Total long-term liabilities	$ 1,107,456	$ 485,395
Total liabilities	$ 6,912,358	$ 6,328,094
DEFERRED INFLOWS OF RESOURCES		
Pension related items (Note 6)	$ 1,155,373	$ 1,211,250
OPEB related items (Note 8)	132,043	158,218
Total deferred inflows of resources	$ 1,287,416	$ 1,369,468
NET POSITION		
Net investment in capital assets	$ 6,915,013	$ 6,570,587
Restricted		
Net pension and OPEB assets	2,835,084	1,959,468
HUD advance	1,973,140	1,908,890
Unrestricted	2,270,822	1,389,579
Total net position	$ 13,994,059	$ 11,828,524

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

SOUTHSIDE BEHAVIORAL HEALTH

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2024
(With Comparative Totals for 2023)

	2024	2023
Operating revenues:		
Net patient service revenue	$ 9,348,350	$ 7,958,684
Operating expenses:		
Salaries and benefits	$ 11,948,165	$ 11,148,386
Staff development and recruitment	144,600	107,743
Facility	649,535	592,179
Supplies	565,288	370,926
Travel	63,492	92,917
Client services	1,794,724	1,929,645
Contractual and professional services	404,980	402,147
Rentals and leases	12,908	12,191
Insurance	136,732	147,975
Depreciation	668,253	605,778
Other	557,512	305,410
Total operating expenses	$ 16,946,189	$ 15,715,297
Operating income (loss)	$ (7,597,839)	$ (7,756,613)
Nonoperating revenues (expenses):		
Commonwealth of Virginia grants	$ 6,961,552	$ 5,796,438
Federal grants	1,524,093	1,138,623
Contributions from participating local governments (Note 11)	569,438	535,892
Interest income	311,645	113,825
Rental income	259,673	234,892
Gain/loss on sale of assets	2,000	(38,819)
Other income	134,973	65,999
Total nonoperating revenues (expenses)	$ 9,763,374	$ 7,846,850
Change in net position	$ 2,165,535	$ 90,237
Net position, beginning of year	11,828,524	11,738,287
Net position, end of year	$ 13,994,059	$ 11,828,524

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

SOUTHSIDE BEHAVIORAL HEALTH

Statement of Cash Flows
Year Ended June 30, 2024
(With Comparative Totals for 2023)

		2024		2023
Cash flows from operating activities:				
Receipts from clients, private insurers, Medicaid, and others	$	9,343,996	$	7,428,462
Payments to suppliers		(4,442,545)		(3,735,656)
Payments to and for employees		(12,680,516)		(11,565,561)
Net cash flows provided by (used for) operating activities	$	(7,779,065)	$	(7,872,755)
Cash flows from noncapital financing activities:				
Contributions from local, state, and federal government	$	8,978,742	$	10,167,587
Other receipts (expenses)		382,836		282,108
Net cash flows provided by (used for) noncapital financing activities	$	9,361,578	$	10,449,695
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	$	(822,525)	$	(1,469,968)
Proceeds from the sale of capital assets		2,000		118,250
Principal payments on lease liabilities		(5,438)		(5,145)
Principal payments on subscription liabilities		(184,716)		(159,924)
Net cash flows provided by (used for) capital and related financing activities	$	(1,010,679)	$	(1,516,787)
Cash flows from investing activities:				
Interest income	$	311,645	$	113,825
Net increase (decrease) in cash and cash equivalents	$	883,479	$	1,173,978
Cash and cash equivalents, beginning of year		8,671,433		7,497,455
Cash and cash equivalents, end of year	$	9,554,912	$	8,671,433
Reconciliation to Statement of Net Position				
Cash and cash equivalents	$	9,430,734	$	8,509,345
Cash and cash equivalents, restricted		124,178		162,088
	$	9,554,912	$	8,671,433
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$	(7,597,839)	$	(7,756,613)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation		668,253		605,778
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable, net		(210,209)		(65,711)
Other receivables		205,855		(464,511)
Prepaid expenses and other		(20,093)		(39,709)
Deferred outflows of resources - pension related		166,926		345,933
Deferred outflows of resources - OPEB related		(3,551)		24,783
Accounts payable		(93,052)		261,902
Accrued payroll and related liabilities		31,315		79,957
Other liabilities		371		3,284
Compensated absences		46,447		9,878
Net pension asset		(860,312)		847,863
Net OPEB asset		(15,304)		-
Net OPEB liability		(15,820)		(20,969)
Deferred inflows of resources - pension related		(55,877)		(1,641,948)
Deferred inflows of resources - OPEB related		(26,175)		(62,672)
Cash flows provided by (used for) operating activities	$	(7,779,065)	$	(7,872,755)
Noncash capital activities:				
New lease and subscription assets	$	(893,308)	$	-

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

Note 1 – Summary of Significant Accounting Policies:

A. Financial Reporting Entity

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

B. Blended Component Units

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

Alberta Manor, Inc. ("Alberta"), Gateway – Halifax Apartments, Inc. ("Gateway"), Brandon Home, Inc. ("Brandon"), and Marc of Virginia, Inc. ("Marc") are not-for-profit organizations exempt from income tax under Section 501(c)(3) of the *Internal Revenue Code*. Alberta, Gateway, Brandon, and Marc were organized to own and operate facilities for developmentally disabled and/or handicapped individuals as a Section 811 project under the National Affordable Housing Act.

Southside Behavioral Health System, Inc. ("SBHS, Inc.") is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the *Internal Revenue Code.* SBHS, Inc. was organized to assist in generating donations for the Board.

C. Measurement Focus and Basis of Accounting

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

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

Note 1 – Summary of Significant Accounting Policies: (Continued)

D. Use of Estimates

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

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

E. Cash and cash equivalents

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

F. Valuation of Receivables

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

G. Net Client Service Revenue

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

H. Financial Assistance

The Board is required to collect the cost of services from third party sources and those individuals who are able to pay. However, amounts charged vary based on individual circumstances and unpaid balances are pursued to the extent of the clients ability to pay. The Board has established procedures for granting financial assistance in cases of hardship. The granting of financial assistance results in a substantial reduction and/or elimination of charges to individual clients. Because the Board does not pursue the collection of amounts determined to qualify for financial assistance, such amounts are not reported as revenue.

I. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, lease, subscription and infrastructure assets, and are reported in the financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

Note 1 – Summary of Significant Accounting Policies: (Continued)

I. Capital Assets: (Continued)

As the Board constructs or acquires capital assets each period, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), and subscription assets, the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, subscription assets and infrastructure of the Board are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-31 years
Furniture and equipment	5-10 years
Lease equipment	5-10 years
Subscription assets	3-5 years
Software	3-5 years
Motor vehicles	5 years

J. Restricted Assets

The Board segregates funds held on behalf of clients and for deposit reserves required by the US Department of Housing and Urban Development (HUD) for replacement of property and other expenditures at Alberta, Gateway, Brandon, and Marc.

K. Leases and Subscription-Based IT Arrangements

The Board has various lease assets and subscription-based IT arrangements (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as 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.

Note 1 – Summary of Significant Accounting Policies: (Continued)

K. Leases and Subscription-Based IT Arrangements: (Continued)

Lessee

The Board recognizes lease liabilities and intangible right-to-use lease assets (lease and subscription assets) with an initial value of $5,000, individually or in the aggregate, in the financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Subscriptions

The Board recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of $5,000, individually or in the aggregate, in the financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Key Estimates and Judgments

Lease and subscription-based IT arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease and subscription payments to present value, (2) lease and subscription term, and (3) lease and subscription payments.

- The Board uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Board uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.

- The lease and subscription terms includes the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.

- Fixed and certain variable payments as well as lease or subscription incentives and certain other payments are included in the measurement of the lease liability or subscription liability.

The Board monitors changes in circumstances that would require a remeasurement or modification of its leases and subscriptions. The Board will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or subscription liability.

Note 1 – Summary of Significant Accounting Policies: (Continued)

L. Pensions

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

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Board's deferred outflows of resources are comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board's deferred inflows of resources are comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

O. Unearned Revenue

Unearned revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met. Unearned revenue is comprised of restricted funds and earmarked funds attached to specific clients. Revenue is recorded when expenses are incurred in accordance with the grantor's requirements. If expenses are not incurred, the funds may revert back to the grantor.

P. Compensated Absences

Employees are entitled to certain compensated absences based upon length of employment. Vacation and certain other compensated absences do vest with the employee. A provision for these vested compensated absences has been recorded in the financial statements. Because the timing of the use of the benefit is not estimable, all of the liability has been classified as current.

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024	Amount Due Within One Year
Compensated absences	$ 412,978	$ 165,191	$ 118,744	$ 459,425	$ 459,425

Note 1 – Summary of Significant Accounting Policies: (Continued)

Q. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

R. Comparative Information

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Board’s financial statements for the prior year from which the summarized information was derived.

Note 2 - Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Note 2 - Deposits and Investments: (Continued)

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard & Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk

At June 30, 2024, the Board's investments were all in the LGIP, which has been assigned a credit rating of AAAm by Standard & Poor's (S&P).

At June 30, 2024, the Board had no significant exposure to interest rate, foreign currency, or concentration of credit risks.

Cash on hand	$	1,489
Deposits		3,748,725
Local Government Investment Pool		5,804,698
Total	$	9,554,912
Statement of net position:		
Cash and cash equivalents	$	9,430,734
Cash and cash equivalents, restricted		124,178
Total	$	9,554,912

External Investment Pool

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

Note 3 – Accounts Receivable:

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	$	872,930
Third-party insurers and other		360,493
Total	$	1,233,423
Allowance for uncollectible accounts		(214,499)
Net	$	1,018,924

Note 4 – Capital Assets:

Capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Construction in progress	$ 1,377,044	$ 397,462	$ 1,774,506	$ -
Land	636,088	-	-	636,088
Total capital assets not being depreciated	$ 2,013,132	$ 397,462	$ 1,774,506	$ 636,088
Capital assets being depreciated:				
Land improvements	$ 60,335	$ -	$ -	$ 60,335
Buildings and improvements	12,914,124	1,985,459	-	14,899,583
Furniture, fixtures and equipment	636,475	53,584	-	690,059
Lease equipment	25,813	5,485	-	31,298
Subscription assets	357,649	887,823	-	1,245,472
Vehicles	1,334,475	160,526	(20,657)	1,474,344
Total capital assets being depreciated	$ 15,328,871	$ 3,092,877	$ (20,657)	$ 18,401,091
Accumulated depreciation:				
Land improvements	$ (2,003)	$ (2,378)	$ -	$ (4,381)
Buildings and improvements	(8,641,331)	(406,512)	-	(9,047,843)
Furniture, fixtures and equipment	(583,646)	(11,656)	-	(595,302)
Lease equipment	(10,759)	(5,525)	-	(16,284)
Subscription assets	(173,606)	(188,696)		(362,302)
Vehicles	(1,162,395)	(53,486)	20,657	(1,195,224)
Total accumulated depreciation	$ (10,573,740)	$ (668,253)	$ 20,657	$ (11,221,336)
Net capital assets being depreciated	$ 4,755,131	$ 2,424,624	$ -	$ 7,179,755
Net capital assets	$ 6,768,263	$ 2,822,086	$ 1,774,506	$ 7,815,843

*Beginning balances have been adjusted to reflect subscription assets due to the implementation of GASB 96.

Note 5 – Long-Term Obligations:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2024:

	Balance July 1, 2023	Additions/ Issuances	Deletions/ Retirements	Balance June 30, 2024	Amount Due In One Year
Lease liabilities	$ 14,952	$ 5,485	$ 5,438	$ 14,999	$ 6,205
Subscription liabilities	182,724	887,823	184,716	885,831	192,177
Net OPEB liabilities	420,828	227,650	243,470	405,008	-
Total	$ 618,504	$ 1,120,958	$ 433,624	$ 1,305,838	$ 198,382

Note 5 – Long-Term Obligations: (Continued)

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

Year Ending June 30,	Lease Liabilities Principal	Lease Liabilities Interest	Subscription Liabilities Principal	Subscription Liabilities Interest
2025	6,205	161	$ 192,177	$ 19,993
2026	4,389	104	192,573	15,255
2027	2,472	61	197,322	10,384
2028	1,150	32	183,105	5,450
2029	783	7	120,654	1,139
Total	$ 14,999	$ 365	$ 885,831	$ 52,221

Details of Long-Term Obligations

	Amount Outstanding	Due Within One Year
Lease Liabilities:		
On 07/01/2020, Southside Behavioral Health, VA entered into a 59 month lease as Lessee for the use of Konica Minolta - MCIC. An initial lease liability was recorded in the amount of $5,128. Southside Behavioral Health, VA is required to make monthly fixed payments of $89. The lease has an interest rate of 0.8650%.	$ 972	$ 972
On 10/11/2021, Southside Behavioral Health, VA entered into a 60 month lease as Lessee for the use of Konica Minolta - BBHC. An initial lease liability was recorded in the amount of $5,070. Southside Behavioral Health, VA is required to make monthly fixed payments of $86. The lease has an interest rate of 0.7120%.	2,302	1,019
On 12/15/2020, Southside Behavioral Health, VA entered into a 60 month lease as Lessee for the use of Konica Minolta - Bizhub 360i. An initial lease liability was recorded in the amount of $7,561. Southside Behavioral Health, VA is required to make monthly fixed payments of $128. The lease has an interest rate of 0.6210%.	2,165	1,526
On 03/22/2022, Southside Behavioral Health, VA entered into a 60 month lease as Lessee for the use of Konica Minolta - Digital Copier. An initial lease liability was recorded in the amount of $8,055. Southside Behavioral Health, VA is required to make monthly fixed payments of $137. The lease has an interest rate of 0.7360%.	4,330	1,614
On 03/06/2024, Southside Behavioral Health, VA entered into a 60 month lease as Lessee for the use of Konica Minolta - HCSP. An initial lease liability was recorded in the amount of $5,485. Southside Behavioral Health, VA is required to make monthly fixed payments of $99. The lease has an interest rate of 2.2820%.	5,230	1,074
Total lease liabilities	$ 14,999	$ 6,205

Note 5 – Long-Term Obligations: (Continued)

Details of Long-Term Obligations (Continued)

		Amount Outstanding		Due Within One Year
Subscription Liabilities:				
On 07/01/2022, Southside Behavioral Health, VA entered into a 24 month subscription for the use of Solutions4. An initial subscription liability was recorded in the amount of $8,058. Southside Behavioral Health, VA is required to make monthly fixed payments of $330. The subscription has an interest rate of 2.1940%.	$	329	$	329
On 07/01/2022, Southside Behavioral Health, VA entered into a 64 month subscription for the use of Behavioral Health - Enhanced Package. An initial subscription liability was recorded in the amount of $90,056. Southside Behavioral Health, VA is required to make annual fixed payments of $19,084. The subscription has an interest rate of 2.5360%.		54,468		17,703
On 03/01/2024, Southside Behavioral Health, VA entered into a 60 month subscription for the use of Qualifacts (Credible). An initial subscription liability was recorded in the amount of $887,823. Southside Behavioral Health, VA is required to make monthly fixed payments of $15,713. The subscription has an interest rate of 2.4320%.		831,034		174,145
Total subscription liabilities	$	885,831	$	192,177
Net OPEB liabilities	$	405,008	$	-
Total long-term obligations	$	1,305,838	$	198,382

Note 6 – Pension Plan:

Plan Description

All full-time, salaried permanent employees of Southside Behavioral Health are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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.

Note 6 – Pension Plan: (Continued)

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Note 6 – Pension Plan: (Continued)

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	86
Inactive members:	
Vested inactive members	35
Non-vested inactive members	86
Inactive members active elsewhere in VRS	52
Total inactive members	173
Active members	167
Total covered employees	426

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Southside Behavioral Health's contractually required employer contribution rate for the year ended June 30, 2024 was 3.95% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from Southside Behavioral Health were $256,340 and $231,699 for the years ended June 30, 2024 and June 30, 2023, respectively.

<u>Note 6 – Pension Plan: (Continued)</u>

Actuarial Assumptions – General Employees: (Continued)

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Southside Behavioral Health, the net pension asset was measured as of June 30, 2023. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions – General Employees

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

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

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

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

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

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

Note 6 – Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

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

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each 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

Note 6 – Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

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

Note 6 – Pension Plan: (Continued)

Discount Rate:

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

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	$ 22,548,177	$ 24,507,645	$ (1,959,468)
Changes for the year:			
Service cost	$ 593,108	$ -	$ 593,108
Interest	1,522,312	-	1,522,312
Differences between expected and actual experience	(839,991)	-	(839,991)
Contributions - employer	-	224,578	(224,578)
Contributions - employee	-	354,327	(354,327)
Net investment income	-	1,572,054	(1,572,054)
Benefit payments, including refunds	(1,177,028)	(1,177,028)	-
Administrative expenses	-	(15,849)	15,849
Other changes	-	631	(631)
Net changes	$ 98,401	$ 958,713	$ (860,312)
Balances at June 30, 2023	$ 22,646,578	$ 25,466,358	$ (2,819,780)

Note 6 – Pension Plan: (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Southside Behavioral Health's Net Pension Liability (Asset)	220,866	(2,819,780)	(5,321,213)

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

For the year ended June 30, 2024, Southside Behavioral Health recognized pension expense of $(500,042). At June 30, 2024, Southside Behavioral Health reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 758,445
Change in assumptions	67,049	-
Net difference between projected and actual earnings on pension plan investments	-	396,928
Employer contributions subsequent to the measurement date	256,340	-
Total	$ 323,389	$ 1,155,373

Note 6 – Pension Plan: (Continued)

$256,340 reported as deferred outflows of resources related to pensions resulting from Southside Behavioral Health's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30		
2025	$	(749,850)
2026		(702,314)
2027		351,536
2028		12,304
2029		-
Thereafter		-

Pension Plan Data

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

Note 7 – Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

Note 7 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of service credit, the minimum benefit payable 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 the COLA was $9,254 as of June 30, 2024.

Contributions

The contribution requirements for the GLI Plan 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 GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024, was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on 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 Plan from the entity were $48,066 and $42,959 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately $10.1 million to the Group Life Insurance Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. The entity's proportionate share is reflected in the Statement of Activities.

Note 7 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2024, the entity reported a liability of $405,008 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was 0.0337% as compared to 0.0337% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of $10,679. 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, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 40,450	$ 12,294
Net difference between projected and actual earnings on GLI OPEB plan investments	-	16,276
Change in assumptions	8,657	28,061
Changes in proportionate share	5,413	30,896
Employer contributions subsequent to the measurement date	48,066	-
Total	$ 102,586	$ 87,527

$48,066 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2025	$ (9,059)
2026	(22,415)
2027	(277)
2028	(5,481)
2029	4,225
Thereafter	-

Note 7 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 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

Note 7 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	$	3,907,052
Plan Fiduciary Net Position		2,707,739
GLI Net OPEB Liability (Asset)	$	1,199,313
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		69.30%

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

Note 7 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

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

Note 7 – Group Life Insurance (GLI) Plan (OPEB Plan): (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. Through the fiscal year ended June 30, 2023, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

		Rate	
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Southside Behavioral Health's proportionate share of the GLI Plan Net OPEB Liability	600,349	405,008	247,074

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 8 – Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was 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. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan 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 HIC 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.

Note 8 – Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. 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. 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.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	39
Inactive members:	
Vested inactive members	7
Inactive members active elsewhere in VRS	53
Total inactive members	99
Active members	166
Total covered employees	265

Note 8 – Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements 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 options provided to political subdivisions by the Virginia General Assembly. Southside Behavioral Health's contractually required employer contribution rate for the year ended June 30, 2024 was 0.12% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate 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 Southside Behavioral Health to the HIC Plan were $10,677 and $9,512 for the years ended June 30, 2024 and June 30, 2023, respectively.

Net HIC OPEB Liability

Southside Behavioral Health's net HIC OPEB liability was measured as of June 30, 2023. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions

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

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 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

Note 8 – Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees: (Continued)

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Note 8 – Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

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

Note 8 – Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total HIC 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 at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2023, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2022	$ 288,733	$ 273,204	$ 15,529
Changes for the year:			
Service cost	$ 4,546	$ -	$ 4,546
Interest	19,293	-	19,293
Differences between expected and actual experience	(28,991)	-	(28,991)
Assumption changes	-	-	-
Contributions - employer	-	9,511	(9,511)
Net investment income	-	16,496	(16,496)
Benefit payments	(14,918)	(14,918)	-
Administrative expenses	-	(402)	402
Other changes	-	76	(76)
Net changes	$ (20,070)	$ 10,763	$ (30,833)
Balances at June 30, 2023	$ 268,663	$ 283,967	$ (15,304)

Note 8 – Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Sensitivity of Southside Behavioral Health's HIC Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents Southside Behavioral Health's HIC Plan net HIC OPEB liability (asset) using the discount rate of 6.75%, as well as what Southside Behavioral Health's 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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Southside Behavioral Health's Net HIC OPEB Liability (Asset)	14,346	(15,304)	(40,322)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2024, Southside Behavioral Health recognized HIC Plan OPEB expense of ($9,362). At June 30, 2024, Southside Behavioral Health reported deferred outflows of resources and deferred inflows of resources related to Southside Behavioral Health's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,783	$ 28,911
Net difference between projected and actual earnings on HIC OPEB plan investments	-	2,888
Change in assumptions	2,748	12,717
Employer contributions subsequent to the measurement date	10,677	-
Total	$ 17,208	$ 44,516

Note 8 – Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB: (Continued)

$10,677 reported as deferred outflows of resources related to the HIC OPEB resulting from Southside Behavioral Health's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30		
2025	$	(14,223)
2026		(16,014)
2027		(4,969)
2028		(2,779)
2029		-
Thereafter		-

HIC Plan Data

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

Aggregate OPEB Information:

	Net OPEB Asset	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:					
Group Life Insurance Plan (Note 7)	$ -	$ 102,586	$ 87,527	$ 405,008	$ 10,679
Health Insurance Credit Plan (Note 8)	(15,304)	17,208	44,516	-	(9,362)
Totals	$ (15,304)	$ 119,794	$ 132,043	$ 405,008	$ 1,317

Note 9 – Other Postemployment Benefits—Health Insurance Supplement:

Employees, upon retirement with 20 years of service with the Board and meeting certain other criteria, are eligible to receive a monthly health insurance supplement. For the year ended June 30, 2024, there were five persons covered under this plan and benefits totaling $4,386 were paid during the year. The health insurance supplement for retirees is no longer offered to new retirees effective January 1, 2014.

Note 10 – Net Client Service Revenue:

Net client revenues arose from the following sources:

Medicaid	$	9,028,662
Third-party, direct client fees, and other		319,688
Total	$	9,348,350

Note 11 – Contributions from Participating Local Governments:

Contributions from participating local governments were as follows:

County of Halifax	$	224,692
County of Mecklenburg		250,086
County of Brunswick		94,660
Total	$	569,438

Note 12 – Other Income:

Other income arose from the following sources:

Donations and other grants	$	44,293
Management fees		24,428
Miscellaneous		66,252
Total		134,973

Note 13 – Commitments and Contingencies:

Contingencies

Certain state and federal grants and programs are subject to audit to determine compliance with their requirements. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 14 – Risk Management:

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors, and omissions; the health of and injuries to employees, and natural disasters. The Board has coverages of $30,013,531 for property, $1,000,000 for directors' and officers' liability, and $2,400,000 for professional liability policies. Workers' compensation covers are for $1,000,000. There are no surety bonds for directors. The Board assumes risks related to co-insurance, policy deductibles, and claims which exceed insurance coverage. There have been no settlements that have exceeded the insurance coverage in the last three years.

Note 15 – New Accounting Standards:

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Statement No. 102, *Certain Risk Disclosures,* provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements,* improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2023

	2023	2022	2021	2020	2019
Total pension liability:					
Service cost	$ 593,108	$ 578,798	$ 668,836	$ 643,943	$ 612,950
Interest	1,522,312	1,507,096	1,362,369	1,309,638	1,262,300
Differences between expected and actual experience	(839,991)	(663,601)	(24,325)	(164,943)	(175,003)
Changes of assumptions	-	-	641,757	-	588,802
Benefit payments	(1,177,028)	(1,245,324)	(921,336)	(1,093,547)	(746,168)
Net change in total pension liability	$ 98,401	$ 176,969	$ 1,727,301	$ 695,091	$ 1,542,881
Total pension liability - beginning	22,548,177	22,371,208	20,643,907	19,948,816	18,405,935
Total pension liability - ending (a)	$ 22,646,578	$ 22,548,177	$ 22,371,208	$ 20,643,907	$ 19,948,816
Plan fiduciary net position:					
Contributions - employer	$ 224,578	$ 276,482	$ 276,432	$ 304,774	$ 308,933
Contributions - employee	354,327	331,749	322,445	332,439	328,403
Net investment income	1,572,054	(18,629)	5,477,844	387,867	1,273,354
Benefit payments	(1,177,028)	(1,245,324)	(921,336)	(1,093,547)	(746,168)
Administrator charges	(15,849)	(15,748)	(13,581)	(13,187)	(12,398)
Other	631	576	517	(452)	(803)
Net change in plan fiduciary net position	$ 958,713	$ (670,894)	$ 5,142,321	$ (82,106)	$ 1,151,321
Plan fiduciary net position - beginning	24,507,645	25,178,539	20,036,218	20,118,324	18,967,003
Plan fiduciary net position - ending (b)	$ 25,466,358	$ 24,507,645	$ 25,178,539	$ 20,036,218	$ 20,118,324
SBH's net pension liability (asset) - ending (a) - (b)	$ (2,819,780)	$ (1,959,468)	$ (2,807,331)	$ 607,689	$ (169,508)
Plan fiduciary net position as a percentage of the total pension liability	112.45%	108.69%	112.55%	97.06%	100.85%
Covered payroll	$ 7,821,270	$ 7,821,270	$ 7,686,595	$ 6,348,328	$ 7,023,841
SBH's net pension liability (asset) as a percentage of covered payroll	-36.05%	-25.05%	-36.52%	9.57%	-2.41%

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2023 (Continued)

	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	$ 651,467	$ 673,147	$ 706,260	$ 740,136	$ 710,187
Interest	1,194,917	1,169,856	1,090,678	1,026,037	945,168
Differences between expected and actual experience	(145,296)	(657,053)	1,726	(269,045)	-
Changes of assumptions	-	(99,143)	-	-	-
Benefit payments	(730,804)	(726,775)	(608,308)	(539,072)	(461,083)
Net change in total pension liability	$ 970,284	$ 360,032	$ 1,190,356	$ 958,056	$ 1,194,272
Total pension liability - beginning	17,435,651	17,075,619	15,885,263	14,927,207	13,732,935
Total pension liability - ending (a)	$ 18,405,935	$ 17,435,651	$ 17,075,619	$ 15,885,263	$ 14,927,207
Plan fiduciary net position:					
Contributions - employer	$ 405,364	$ 414,682	$ 573,897	$ 579,205	$ 602,462
Contributions - employee	320,194	325,553	316,707	321,651	315,288
Net investment income	1,314,172	1,932,986	278,482	665,289	1,908,123
Benefit payments	(730,804)	(726,775)	(608,308)	(539,072)	(461,083)
Administrator charges	(11,141)	(10,948)	(9,233)	(8,610)	(9,795)
Other	(1,588)	(2,218)	(115)	(142)	100
Net change in plan fiduciary net position	$ 1,296,197	$ 1,933,280	$ 551,430	$ 1,018,321	$ 2,355,095
Plan fiduciary net position - beginning	17,670,806	15,737,526	15,186,096	14,167,775	11,812,680
Plan fiduciary net position - ending (b)	$ 18,967,003	$ 17,670,806	$ 15,737,526	$ 15,186,096	$ 14,167,775
SBH's net pension liability (asset) - ending (a) - (b)	$ (561,068)	$ (235,155)	$ 1,338,093	$ 699,167	$ 759,432
Plan fiduciary net position as a percentage of the total pension liability	103.05%	101.35%	92.16%	95.60%	94.91%
Covered payroll	$ 6,818,628	$ 7,439,570	$ 7,582,212	$ 6,533,095	$ 6,468,870
SBH's net pension liability (asset) as a percentage of covered payroll	-8.23%	-3.16%	17.65%	10.70%	11.74%

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Employer Contributions
Pension Plan
Years Ended June 30, 2015 through June 30, 2024

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	$ 256,340	$ 256,340	$ -	$ 8,897,374	2.88%
2023	231,699	231,699	-	7,821,270	2.96%
2022	282,534	282,534	-	7,821,270	3.61%
2021	297,306	297,306	-	7,686,595	3.87%
2020	315,635	315,635	-	6,348,328	4.97%
2019	316,514	316,514	-	7,023,841	4.51%
2018	408,923	408,923	-	6,818,628	6.00%
2017	422,132	422,132	-	7,439,570	5.67%
2016	577,154	577,154	-	7,582,212	7.61%
2015	512,848	584,712	(71,864)	6,533,095	8.95%

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

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each 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

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Southside Behavioral Health's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2023

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2023	0.0337%	$ 405,008	$ 7,955,390	5.09%	69.30%
2022	0.0337%	405,299	7,321,045	5.54%	67.21%
2021	0.0365%	424,959	7,686,595	5.53%	67.45%
2020	0.0369%	615,466	6,348,238	9.70%	52.64%
2019	0.0364%	592,000	7,023,841	8.43%	52.00%
2018	0.0359%	546,000	6,818,628	8.01%	51.22%
2017	0.0372%	560,000	6,818,628	8.21%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
Years Ended June 30, 2018 through June 30, 2024

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	$ 48,066	$ 48,066	$ -	$ 8,901,108	0.54%
2023	42,959	42,959	-	7,955,390	0.54%
2022	39,534	39,534	-	7,321,045	0.54%
2021	40,241	40,241	-	7,686,595	0.52%
2020	39,988	39,988	-	6,348,238	0.63%
2019	34,391	34,391	-	7,023,841	0.49%
2018	34,149	34,149	-	6,818,628	0.50%

Schedule is intended to show information for 10 years. Information prior to the FY2018 is not available. However, 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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Changes in the Southside Behavioral Health's Net OPEB Liability (Asset) and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2023

	2023	2022	2021	2020
Total HIC OPEB Liability				
Service cost	$ 4,546	$ 6,571	$ 7,908	$ 8,074
Interest	19,293	19,648	18,179	18,373
Differences between expected and actual experience	(28,991)	5,289	3,162	(15,682)
Changes of assumptions	-	(19,903)	824	-
Benefit payments	(14,918)	(14,773)	(14,981)	(12,303)
Net change in total HIC OPEB liability	$ (20,070)	$ (3,168)	$ 15,092	$ (1,538)
Total HIC OPEB Liability - beginning	288,733	291,901	276,809	278,347
Total HIC OPEB Liability - ending (a)	$ 268,663	$ 288,733	$ 291,901	$ 276,809
Plan fiduciary net position				
Contributions - employer	$ 9,511	$ 11,650	$ 11,435	$ 13,889
Net investment income	16,496	371	57,853	4,335
Benefit payments	(14,918)	(14,773)	(14,981)	(12,303)
Administrator charges	(402)	(477)	(677)	(424)
Other	76	1,370	-	(2)
Net change in plan fiduciary net position	$ 10,763	$ (1,859)	$ 53,630	$ 5,495
Plan fiduciary net position - beginning	273,204	275,063	221,433	215,938
Plan fiduciary net position - ending (b)	$ 283,967	$ 273,204	$ 275,063	$ 221,433
Southside Behavioral Health's net HIC OPEB liability (asset) - ending (a) - (b)	$ (15,304)	$ 15,529	$ 16,838	$ 55,376
Plan fiduciary net position as a percentage of the total HIC OPEB liability	105.70%	94.62%	94.23%	79.99%
Covered payroll	$ 7,926,476	$ 7,281,270	$ 7,686,595	$ 6,348,328
Southside Behavioral Health's net HIC OPEB liability (asset) as a percentage of covered payroll	-0.19%	0.21%	0.22%	0.87%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Changes in the Southside Behavioral Health's Net OPEB Liability (Asset) and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2023 (Continued)

	2019	2018	2017
Total HIC OPEB Liability			
Service cost	$ 7,441	$ 8,546	$ 8,064
Interest	18,066	17,417	16,881
Differences between expected and actual experience	(6,643)	(4,574)	-
Changes of assumptions	6,813	-	(7,580)
Benefit payments	(10,823)	(13,414)	(6,009)
Net change in total HIC OPEB liability	$ 14,854	$ 7,975	$ 11,356
Total HIC OPEB Liability - beginning	263,493	255,518	244,162
Total HIC OPEB Liability - ending (a)	$ 278,347	$ 263,493	$ 255,518
Plan fiduciary net position			
Contributions - employer	$ 13,497	$ 14,347	$ 14,397
Net investment income	13,072	13,421	19,054
Benefit payments	(10,823)	(13,414)	(6,009)
Administrator charges	(288)	(319)	(322)
Other	(15)	(931)	931
Net change in plan fiduciary net position	$ 15,443	$ 13,104	$ 28,051
Plan fiduciary net position - beginning	200,495	187,391	159,340
Plan fiduciary net position - ending (b)	$ 215,938	$ 200,495	$ 187,391
Southside Behavioral Health's net HIC OPEB liability (asset) - ending (a) - (b)	$ 62,409	$ 62,998	$ 68,127
Plan fiduciary net position as a percentage of the total HIC OPEB liability	77.58%	76.09%	73.34%
Covered payroll	$ 7,023,841	$ 6,818,628	$ 7,439,570
Southside Behavioral Health's net HIC OPEB liability (asset) as a percentage of covered payroll	0.89%	0.92%	0.92%

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
Years Ended June 30, 2018 through June 30, 2024

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	$ 10,677	$ 10,677	$ -	$ 8,897,374	0.12%
2023	9,512	9,512	-	7,926,476	0.12%
2022	11,650	11,650	-	7,281,270	0.16%
2021	11,522	11,522	-	7,686,595	0.15%
2020	13,715	13,715	-	6,348,328	0.22%
2019	12,705	12,705	-	7,023,841	0.18%
2018	13,626	13,626	-	6,818,628	0.20%

Schedule is intended to show information for 10 years. Information prior to the 2018 is not available. However, 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, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 though June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Other Supplementary Information

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Net Position
At June 30, 2024

	Southside Behavioral Health	Alberta Manor, Inc.	Gateway - Halifax Apartments, Inc.	Brandon Homes, Inc.
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 9,427,203	$ -	$ -	$ -
Accounts receivable, net	1,018,924	-	-	-
Other receivables	299,960	-	-	-
Prepaid expenses and other	225,927	-	-	-
Advances to HUD component units	46,831	-	-	-
Cash and cash equivalents, restricted	16,270	37,444	33,157	8,956
Total current assets	$ 11,035,115	$ 37,444	$ 33,157	$ 8,956
Noncurrent Assets:				
Net pension asset	$ 2,819,780	$ -	$ -	$ -
Net OPEB asset	15,304	-	-	-
Capital assets, net	7,492,060	137,388	34,438	40,570
Total noncurrent assets	$ 10,327,144	$ 137,388	$ 34,438	$ 40,570
Total assets	$ 21,362,259	$ 174,832	$ 67,595	$ 49,526
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 323,389	$ -	$ -	$ -
OPEB related items	119,794	-	-	-
Total deferred outflows of resources	$ 443,183	$ -	$ -	$ -
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 365,611	$ 7,617	$ 11,578	$ 13,982
Accrued payroll and related liabilities	483,765			
Other liabilities	3,310	2,352	1,827	603
Unearned revenue	4,265,243	-	-	-
Amounts held for clients, payable from restricted assets	16,270	-	-	-
Compensated absences	459,425	-	-	-
Lease liabilities - current portion	6,205	-	-	-
Subscription liabilities - current portion	192,177	-	-	-
Total current liabilities	$ 5,792,006	$ 9,969	$ 13,405	$ 14,585
Long-Term Liabilities:				
Lease liabilities - net of current portion	$ 8,794	$ -	$ -	$ -
Subscription liabilities - net of current portion	693,654	-	-	-
Net OPEB liabilities	405,008	-	-	-
Total long-term liabilities	$ 1,107,456	$ -	$ -	$ -
Total liabilities	$ 6,899,462	$ 9,969	$ 13,405	$ 14,585
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$ 1,155,373	$ -	$ -	$ -
OPEB related items	132,043	-	-	-
Total deferred inflows of resources	$ 1,287,416	$ -	$ -	$ -
NET POSITION				
Net investment in capital assets	$ 6,591,230	$ 137,388	$ 34,438	$ 40,570
Restricted				
Net pension and OPEB assets	2,835,084	-	-	-
HUD advance	192,177	738,700	513,800	239,400
Unrestricted (deficit)	4,000,073	(711,225)	(494,048)	(245,029)
Total net position	$ 13,618,564	$ 164,863	$ 54,190	$ 34,941

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Net Position
At June 30, 2024 (Continued)

	MARC of Virginia, Inc.	Southside Behavioral Health System Inc.	Inter-Company Eliminations	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ -	$ 3,531	$ -	$ 9,430,734
Accounts receivable, net	-	-	-	1,018,924
Other receivables	-	-	-	299,960
Prepaid expenses and other	-	-	-	225,927
Advances to HUD component units	-	-	(46,831)	-
Cash and cash equivalents, restricted	28,351	-	-	124,178
Total current assets	$ 28,351	$ 3,531	$ (46,831)	$ 11,099,723
Noncurrent Assets:				
Net pension asset	$ -	$ -	$ -	$ 2,819,780
Net OPEB asset	-	-	-	15,304
Capital assets, net	111,387	-	-	7,815,843
Total noncurrent assets	$ 111,387	$ -	$ -	$ 10,650,927
Total assets	$ 139,738	$ 3,531	$ (46,831)	$ 21,750,650
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ -	$ -	$ -	$ 323,389
OPEB related items	-	-	-	119,794
Total deferred outflows of resources	$ -	$ -	$ -	$ 443,183
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 18,745	$ 1,511	$ (46,831)	$ 372,213
Accrued payroll and related liabilities			-	483,765
Other liabilities	1,512	-	-	9,604
Unearned revenue	-	-	-	4,265,243
Amounts held for clients, payable from restricted assets	-	-	-	16,270
Compensated absences	-	-	-	459,425
Lease liabilities - current portion	-	-	-	6,205
Subscription liabilities - current portion	-	-	-	192,177
Total current liabilities	$ 20,257	$ 1,511	$ (46,831)	$ 5,804,902
Long-Term Liabilities:				
Lease liabilities - net of current portion	-	$ -	$ -	$ 8,794
Subscription liabilities - net of current portion	-	-	-	693,654
Net OPEB liabilities	-	-	-	405,008
Total long-term liabilities	-	$ -	$ -	$ 1,107,456
Total liabilities	$ 20,257	$ 1,511	$ (46,831)	$ 6,912,358
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$ -	$ -	$ -	$ 1,155,373
OPEB related items	-	-	-	132,043
Total deferred inflows of resources	$ -	$ -	$ -	$ 1,287,416
NET POSITION				
Net investment in capital assets	$ 111,387	$ -	$ -	$ 6,915,013
Restricted				
Net pension and OPEB assets	-	-	-	2,835,084
HUD advance	289,063	-	-	1,973,140
Unrestricted (deficit)	(280,969)	2,020	-	2,270,822
Total net position	$ 119,481	$ 2,020	$ -	$ 13,994,059

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2024

	Southside Behavioral Health	Alberta Manor, Inc.	Gateway - Halifax Apartments, Inc.	Brandon Homes, Inc.
Operating revenues:				
Net patient service revenue	$ 9,348,350	$ -	$ -	$ -
Operating expenses:				
Salaries and benefits	$ 11,892,627	$ 21,231	$ 22,580	$ -
Staff development and recruitment	144,600	-	-	-
Facility	549,537	37,507	20,963	10,933
Supplies	565,288	-	-	-
Travel	63,492	-	-	-
Client services	1,794,724	-	-	-
Contractual and professional services	394,360	5,240	2,690	2,690
Rentals and leases	12,908	-	-	-
Insurance	130,246	2,848	2,070	618
Depreciation	606,130	26,593	18,784	7,845
Other	537,402	837	665	983
Total operating expenses	$ 16,691,314	$ 94,256	$ 67,752	$ 23,069
Operating income (loss)	$ (7,342,964)	$ (94,256)	$ (67,752)	$ (23,069)
Nonoperating revenues (expenses):				
Commonwealth of Virginia grants	$ 6,961,552	$ -	$ -	$ -
Federal grants	1,524,093	-	-	-
Contributions from participating local governments	569,438	-	-	-
Interest income	311,508	36	37	9
Rental income	83,720	67,853	50,683	13,613
Gain/loss on sale of assets	2,000	-	-	-
Other	120,088	-	-	-
Total nonoperating revenues (expenses)	$ 9,572,399	$ 67,889	$ 50,720	$ 13,622
Change in net position	$ 2,229,435	$ (26,367)	$ (17,032)	$ (9,447)
Net position, beginning of year	11,389,129	191,230	71,222	44,388
Net position, end of year	$ 13,618,564	$ 164,863	$ 54,190	$ 34,941

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2024 (Continued)

	MARC of Virginia, Inc.	Southside Behavioral Health System Inc.	Inter-Company Eliminations	Total
Operating revenues:				
Net patient service revenue	$ -	$ -	$ -	$ 9,348,350
Operating expenses:				
Salaries and benefits	$ 11,727	$ -	$ -	$ 11,948,165
Staff development and recruitment	-	-	-	144,600
Facility	30,595	-	-	649,535
Supplies	-	-	-	565,288
Travel	-	-	-	63,492
Client services	-	-	-	1,794,724
Contractual and professional services	-	-	-	404,980
Rentals and leases	-	-	-	12,908
Insurance	950	-	-	136,732
Depreciation	8,901	-	-	668,253
Other	1,018	16,607	-	557,512
Total operating expenses	$ 53,191	$ 16,607	$ -	$ 16,946,189
Operating income (loss)	$ (53,191)	$ (16,607)	$ -	$ (7,597,839)
Nonoperating revenues (expenses):				
Commonwealth of Virginia grants	$ -	$ -	$ -	$ 6,961,552
Federal grants	-	-	-	1,524,093
Contributions from participating local governments	-	-	-	569,438
Interest income	49	6	-	311,645
Rental income	43,804	-	-	259,673
Gain on sale of assetes	-	-	-	2,000
Other	-	14,885	-	134,973
Total nonoperating revenues (expenses)	$ 43,853	$ 14,891	$ -	$ 9,763,374
Change in net position	$ (9,338)	$ (1,716)	$ -	$ 2,165,535
Net position, beginning of year	128,819	3,736	-	11,828,524
Net position, end of year	$ 119,481	$ 2,020	$ -	$ 13,994,059

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Cash Flows
Year Ended June 30, 2024

	Southside Behavioral Health	Alberta Manor, Inc.	Gateway - Halifax Apartments, Inc.	Brandon Homes, Inc.
Cash flows from operating activities:				
Receipts from clients, private insurers, Medicaid, and others	$ 9,340,789	$ 285	$ 2,922	$ -
Payments to suppliers	(4,321,547)	(42,250)	(27,282)	(12,784)
Payments to and for employees	(12,624,978)	(21,231)	(22,580)	-
Net cash flows provided by (used for) operating activities	$ (7,605,736)	$ (63,196)	$ (46,940)	$ (12,784)
Cash flows from noncapital financing activities:				
Contributions from local, state, and federal government	$ 8,978,742	$ -	$ -	$ -
Other receipts (expenses)	191,998	67,853	50,683	13,613
Net cash flows provided by (used for) noncapital financial activities	$ 9,170,740	$ 67,853	$ 50,683	$ 13,613
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	$ (775,270)	$ (9,250)	$ (8,775)	$ (1,750)
Proceeds from sale of capital assets	2,000	-	-	-
Principal payments on lease liabilities	(5,438)	-	-	-
Principal payments on subscription liabilities	(184,716)	-	-	-
Net cash flows provided by (used for) capital and related financing activities	$ (963,424)	$ (9,250)	$ (8,775)	$ (1,750)
Cash flows from investing activities:				
Interest income	$ 311,508	$ 36	$ 37	$ 9
Net increase (decrease) in cash and cash equivalents	$ 913,088	$ (4,557)	$ (4,995)	$ (912)
Cash and cash equivalents, beginning of year	8,530,385	42,001	38,152	9,868
Cash and cash equivalents, end of year	$ 9,443,473	$ 37,444	$ 33,157	$ 8,956
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (7,342,964)	$ (94,256)	$ (67,752)	$ (23,069)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	606,130	26,593	18,784	7,845
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable, net	(213,416)	285	2,922	-
Other receivables	205,855	-	-	-
Prepaid expenses and other	(29,667)	3,792	2,980	526
Deferred outflows of resources - pension related	166,926	-	-	-
Deferred outflows of resources - OPEB related	(3,551)	-	-	-
Accounts payable	(99,323)	374	(3,807)	1,850
Accrued payroll and related liabilities	31,315	-	-	-
Other liabilities	-	16	(67)	64
Compensated absences	46,447	-	-	-
Net pension asset	(860,312)	-	-	-
Net OPEB asset	(15,304)	-	-	-
Net OPEB liability	(15,820)	-	-	-
Deferred inflows of resources - pension related	(55,877)	-	-	-
Deferred inflows of resources - OPEB related	(26,175)	-	-	-
Cash flows provided by (used for) operating activities	$ (7,605,736)	$ (63,196)	$ (46,940)	$ (12,784)
Noncash capital activities:				
Capital assets acquired through leases and subscriptions	$ (893,308)	$ -	$ -	$ -

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Cash Flows
Year Ended June 30, 2024 (Continued)

	MARC of Virginia, Inc.	Southside Behavioral Health System Inc.	Inter-Company Eliminations	Total
Cash flows from operating activities:				
Receipts from clients, private insurers, Medicaid, and others	$ -	$ -	$ -	$ 9,343,996
Payments to suppliers	(23,586)	(15,096)	-	(4,442,545)
Payments to and for employees	(11,727)	-	-	(12,680,516)
Net cash flows provided by (used for) operating activities	$ (35,313)	$ (15,096)	$ -	$ (7,779,065)
Cash flows from noncapital financing activities:				
Contributions from local, state, and federal government	$ -	$ -	$ -	$ 8,978,742
Other receipts (expenses)	43,804	14,885	-	382,836
Net cash flows provided by (used for) noncapital financial activities	$ 43,804	$ 14,885	$ -	$ 9,361,578
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	$ (27,480)	$ -	$ -	$ (822,525)
Proceeds from sale of capital assets	-	-	-	2,000
Principal payments on lease liabilities	-	-	-	(5,438)
Principal payments on subscription liabilities	-	-	-	(184,716)
Net cash flows provided by (used for) capital and related financing activities	$ (27,480)	$ -	$ -	$ (1,010,679)
Cash flows from investing activities:				
Interest income	$ 49	$ 6	$ -	$ 311,645
Net increase (decrease) in cash and cash equivalents	$ (18,940)	$ (205)	$ -	$ 883,479
Cash and cash equivalents, beginning of year	47,291	3,736	-	8,671,433
Cash and cash equivalents, end of year	$ 28,351	$ 3,531	$ -	$ 9,554,912
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (53,191)	$ (16,607)	$ -	$ (7,597,839)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	8,901	-	-	668,253
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable, net	-	-	-	(210,209)
Other receivables	-	-	-	205,855
Prepaid expenses and other	2,276	-	-	(20,093)
Deferred outflows of resources - pension related	-	-	-	166,926
Deferred outflows of resources - OPEB related	-	-	-	(3,551)
Accounts payable	6,343	1,511	-	(93,052)
Accrued payroll and related liabilities	-	-	-	31,315
Other liabilities	358	-	-	371
Compensated absences	-	-	-	46,447
Net pension asset	-	-	-	(860,312)
Net OPEB asset	-	-	-	(15,304)
Net OPEB liability	-	-	-	(15,820)
Deferred inflows of resources - pension related	-	-	-	(55,877)
Deferred inflows of resources - OPEB related	-	-	-	(26,175)
Cash flows provided by (used for) operating activities	$ (35,313)	$ (15,096)	$ -	$ (7,779,065)
Noncash capital activities:				
New lease and subscription assets	$ -	$ -	$ -	$ (893,308)

SOUTHSIDE BEHAVIORAL HEALTH

SCHEDULE OF INSURANCE
Year Ended June 30, 2024

Insurance Coverage	Insurance Co./ Agent/Policy	Policy Period	Limits of Liability		Ded.	Annual Premium
Automobile Liability & Physical Damage	Co: VARisk2 Ag: Pol. #: G99E58	7/1/23-24	BI/PD Uninsured Motorist Medical Payments Comprehensive Collission	$	$ 1,000	$ 13,412
Crime	Co: Philadelphia Ag: South Boston Ins Pol. #: PHPK1671152	7/1/23-24	Employee Dishonesty Money/Securities Money Orders Forgery or Alteration	200,000	2,500	694
Commercial Crime	Co: Selective Ag: The Andrew Agency Pol. #: 00-06529-00000	8/10/21-24	Employee Theft	4,500 per loss	1,000	268
Electronic Data Processing	Co: Philadelphia Ag: South Boston Ins Pol. #: PHPK1671152	7/1/23-24	Hardware/Software	318,270	1,000	1,680
Medical Malpractice	Co: VARisk2 Ag: Pol. #: G99E58	7/1/23-24	Occurance Aggregate	2,400,000 Unlimited	1,000	2,659
Public Officials Liability D & O	Co: VARisk2 Ag: Pol. #: G99E58	7/1/23-24	Occurance Aggregate	1,000,000 Unlimited	1,000	8,305
	Co: Philadelphia Ag: South Boston Ins Pol. #: PHPK1671152	7/1/23-24	Real Property Personal Property General Aggregate	13,048,377 822,862 2,000,000	1,000 1,000	33,984
	Pol. #: PHPK1630181	5/6/23-24	Ashley Manor (HUD)	354,000 32,000 1,000,000 2,000,000	1,000 1,000	2,489
Property	Pol. #: PHPK1559539 Act. #: 8278003	10/7/23-24	Brandon Home (HUD)	224,992 30,900 1,000,000 2,000,000	1,000 1,000	776
	Pol. #: PHPK1420631	11/13/23-24	Gateway-Halifax Apts (HUD)	718,500 1,000,000 2,000,000	10,000	4,116
	Auto Owners #: 114645-4396935017	9/21/23-24	Alberta Manor (HUD)	781,900 1,000,000 2,000,000	10,000	4,158
Umbrella Excess	UMB0033746	11/13/23-24	Personal Property General Aggregate	1,000,000 2,000,000		850
Miscellaneous Coverage	Co: Philadelphia Ag: South Boston Ins Pol. #: PHPK1671152	7/1/23-24	Contractor's Equipment	22,578	1,000	150
Workers' Compensation	Co: VACO Risk Management Ag: Pol. #: VA-SO-084A-18	7/1/23-24	Each Accident Policy Limit-Disease Each Employee-Disease	1,000,000 1,000,000 1,000,000		85,813
Total						$ 159,354

Compliance

Robinson, Farmer, Cox Associates, PLLC

Certified Public Accountants

CPAs | Consultants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Southside Behavioral Health
Clarksville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Southside Behavioral Health, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Southside Behavioral Health's basic financial statements and have issued our report thereon dated November 19, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southside Behavioral Health's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southside Behavioral Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Southside Behavioral Health'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 Southside Behavioral Health's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Southside Behavioral Health's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southside Behavioral Health's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 19, 2024

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Southside Behavioral Health
Clarksville, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southside Behavioral Health compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southside Behavioral Health's major federal programs for the year ended June 30, 2024. Southside Behavioral Health's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Southside Behavioral Health complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

- Obtain an understanding of Southside Behavioral Health's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Southside Behavioral Health's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance: (Continued)

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 19, 2024

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number		Expenditures
Department of Treasury:				
Pass-through payments:				
Virginia Department of Behavioral Health and Developmental Services:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	$	335,151
Department of Health and Human Services:				
Pass-through payments:				
Virginia Department of Behavioral Health and Developmental Services:				
Opioid STR	93.788	5H79TI080220	$	168,128
Block Grants for Community Mental Health Services	93.958	2B09SM010053		163,382
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010053		774,359
Total Department of Health and Human Services			$	1,105,869
Department of Education:				
Pass-through payments:				
Virginia Department of Behavioral Health and Developmental Services:				
Special Education - Grants for Infants and Families	84.181	Not available	$	83,073
Total Department of Education			$	83,073
Total Expenditures of Federal Awards			$	1,524,093

Notes to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Southside Behavioral Health under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Southside Behavioral Health, it is not intended to and does not present the financial position, changes in net position, or cash flows of Southside Behavioral Health.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C - Subrecipients
No awards were passed through to subrecipients.

Note D - De Minimis Cost Rate
The Board did not elect to use the 10-percent de minimis indirect cost rate under Uniform Guidance.

Note E - Loan Balances
The Board has no loan guarantees which are subject to reporting requirements for the current year.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

Assistance Listing	Name of Federal Program or Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

SOUTHSIDE BEHAVIORAL HEALTH

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024

There were no prior year findings.