
**PIEDMONT REGIONAL COMMUNITY SERVICES BOARD
dba PIEDMONT COMMUNITY SERVICES**

Martinsville, Virginia

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2025

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD
Martinsville, Virginia

FINANCIAL REPORT - YEAR ENDED JUNE 30, 2025

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Organization of Directors

Gill Carter, Chair

Garrett Dillard, 1st Vice-Chair

Franklin County

B.W. Wright

Rani Wood

Charlotte Hubbard

Bettye Buckingham

Henry County

Bill Adkins

Eric Hairston

Bonnie Martin

Patrick County

Rendy Williams

Jane Carlson

City of Martinsville

Ann Gibson

Brenda Ephriam

Key Administrative Staff

Brian "Greg" Preston	Executive Director
Caroline Pilson	Chief Financial Officer
Kippy Cassell	Director of Operations
Regina Clark	Prevention Director
Sharon Buckman	Chief Human Resources Officer
Shannon Clark	Director of Community Support Services
Kelly Koebel	Director of Behavioral Health

Richard Harris, Regional Manager





ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Piedmont Regional Community Services Board
dba Piedmont Community Services
Martinsville, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Piedmont Regional Community Services Board dba Piedmont Community Services, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Piedmont Regional Community Services Board'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 and the aggregate remaining fund information of Piedmont Regional Community Services Board, as of June 30, 2025, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 Piedmont Regional Community Services Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 17 to the financial statements, in 2025, the Board adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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 Piedmont Regional Community Services Board'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, *Government 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, *Government 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 Piedmont Regional Community Services Board'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 Piedmont Regional Community Services Board's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Piedmont Regional Community Services Board's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Piedmont Regional Community Services Board's basic financial statements. The accompanying combining financial statements and 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, the combining financial statements 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 Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2025, on our consideration of Piedmont Regional Community Services Board'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 Piedmont Regional Community Services Board'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 Piedmont Regional Community Services Board's internal control over financial reporting and compliance.

Robinson, Jarmon, Cox, Associates

Blacksburg, Virginia
November 26, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of Piedmont Regional Community Services Board's financial performance provides an introduction and overview to the financial statements for the fiscal year ended June 30, 2025.

Following this MD&A are the basic financial statements of Piedmont Regional Community Services Board (PCS) together with the notes thereto which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, there is certain required supplementary information regarding schedule of expenditures of federal awards and schedules related to pension and OPEB funding.

Revenue

The CSB disabilities (Mental Health, Developmental Disabilities, and Substance Abuse) fourth quarter operating revenues prior to fee transfers or adjustments are as follows:

Disability	FY 2025	FY 2024
Mental Health	\$ 19,935,415	\$ 19,552,117
DD Services	9,032,977	8,794,413
Substance Abuse	7,578,431	7,002,213
Total	<u>\$ 36,546,823</u>	<u>\$ 35,348,743</u>

Patient service fees, inclusive of Medicaid and other insurance payers, remain the largest source of revenue for PCS, with collections totaling \$18.7 million.

The Department of Behavioral Health (DBHDS) continued to provide annual funding to support implementation of STEP-VA—System Transformation Excellence and Performance for Psychosocial, Case Management, and Care Coordination. This is a statewide project for improving services, including same-day access, expansion of outpatient, crisis response, veteran services, and prescribing capabilities. The eventual goal of this project is to reduce state hospital bed day census by the improvement of community-based capabilities. One time STEP funding in FY25 of \$130K covered start-up costs to hire an additional FTE for engagement, and upgrades to technology and staff training. The engagement position is expected to generate sufficient fees to offset ongoing costs in subsequent years.

Four previously awarded 18-month grants through Federal American Rescue Plan Act (ARPA) were abruptly cut short in March 2025 by 6 months due to federal cost savings measures. Positions funded by the ARPA grant were reallocated into existing operating budgets and non-essential operating costs associated with the ARPA grants were not implemented.

New grants awarded in FY25 include Appalachian Regional Commission (ARC) and VARR, VA Rural Health, Harvest Thriving Youth, and Harvest Leadership.

OAA awarded a \$155K grant through Franklin County government to expand units in the Grace House, a recovery home for pregnant women in SUD treatment. This grant has carried over into FY26, and budget revisions will be sought to expand housing capacity by 2 units in a separate location within Franklin County.

The Clinical division was awarded a \$2M multi-year regional OAA cooperative grant through Henry County. The grant will support renovations and start-up costs associated with the new Crisis Stabilization Unit (CSU). During FY25, PCS was in the process of securing a suitable location in which to consolidate the Crisis Receiving Center, Crisis Intervention, and the Crisis Stabilization Units. Once operational the CSU will provide a 12-bed unit in which an individual would be able to receive wrap around crisis stabilization services for up to 2 weeks.

The Code of Virginia requires that state funds from DBHDS be matched by the localities at a 90/10 ratio. When the funds fall short of the required ratio, the Community Service Boards must request a waiver and provide evidence of economic hardship within the catchment area. Piedmont's local match ratio at the end of FY25 was short by 1.65%. PCS management meets with the local government officials about this concern periodically and asks them to consider additional ways to improve the local match allocations and in-kind donations. These successful efforts have resulted in modest increases to PCS match appropriations. PCS will also consider options to improve donations and contributions in the coming year since these funds are factored in the local match ratio calculation.

Summary of Operations and Changes in Net Position

Summary of Operations and Changes in Net Position

	FY 2025	FY 2024
Operating revenue	\$ 19,232,108	\$ 18,181,114
Operating expenses	37,455,320	34,692,096
Operating income (loss)	\$ (18,223,212)	\$ (16,510,982)
Nonoperating income (loss)	19,136,662	17,435,496
Change in Net Position	\$ 913,450	\$ 924,514

Operating revenue and expenses are defined as those items which result from providing services, primarily fees, and include all transactions and events which are non-capital and related financing. Non-operating revenues consist of grants, government appropriations, investment, and other income. Non-operating expenses are defined as capital and noncapital related financing and other expenses.

PCS is self-insured for medical insurance with intentions of reducing the long-term escalation of premiums over time. Estimated claims for health insurance incurred but not paid as of June 30, 2025, was \$250,575.

Condensed Cash Flow

CONDENSED CASH FLOW

	FY 2025	FY 2024
Cash flows from operating activities	\$ (17,392,288)	\$ (15,123,070)
Cash flows from noncapital financing activities	19,697,417	17,321,331
Cash flows from capital and related financing activities	(712,612)	(564,024)
Cash flows from investing activities	103,453	107,417
Net cash increase (decrease)	\$ 1,695,970	\$ 1,741,654
Cash and cash equivalents, beginning of year	18,055,280	16,313,626
Cash and cash equivalents, end of year	\$ 19,751,250	\$ 18,055,280

Consumer fees, operating expenses and personnel expenses determine the operating activities line of the cash flow report. \$323K was used to acquire capital assets such as vehicles, furniture, and equipment, and for property improvements. Principal reductions of \$306K were paid on mortgages and \$82K was paid for interest expense.

Of the \$19.7M cash and equivalents as of 6/30/2025, balances in earmarked or restricted state, federal funds and grants totaled \$4.9M. The restricted funds include various funding streams including ACT, Regional, Aftercare Pharmacy, Jail Diversion, CIT, Crisis Stab, Step VA, Permanent Supported Housing, MAT, Community Recovery, as well as various grants. Of this balance, approximately \$3.3M was from prior years.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Cash and cash equivalents consist of the following on June 30, 2025:

Cash on hand or established as petty cash	\$ 6,788
Deposits with banks	17,567,443
Deposits with banks - debt reserve funds	114,109
Deposits held for HUD projects	97,404
Investments - Local Government Investment Pool	1,965,506
Total cash and cash equivalents	<u>\$ 19,751,250</u>

Condensed Summary of PCS Statement of Net Position**CONDENSED SUMMARY OF STATEMENT OF NET POSTION**

	<u>FY 2025</u>	<u>FY 2024</u>
Assets		
Current assets	\$ 22,541,467	\$ 21,237,681
Restricted assets	211,513	205,648
Other Assets	3,081,656	2,369,960
Capital assets	13,553,306	13,750,567
Total assets	<u>\$ 39,387,942</u>	<u>\$ 37,563,856</u>
Deferred Outflows of Resources		
Items related to net pension asset	\$ 871,589	\$ 880,670
Items related to net OPEB liability	239,800	226,215
Total deferred outflows of resources	<u>\$ 1,111,389</u>	<u>\$ 1,106,885</u>
Liabilities		
Current liabilities	\$ 4,257,969	\$ 3,796,633
Liabilities payable from restricted assets	6,242	6,583
Long term liabilities	2,640,253	2,560,905
Total liabilities	<u>\$ 6,904,464</u>	<u>\$ 6,364,121</u>
Deferred Inflows of Resources		
Items related to net pension asset	\$ 705,640	\$ 338,593
Items related to net OPEB liability	120,061	112,311
Total deferred inflows of resources	<u>\$ 825,701</u>	<u>\$ 450,904</u>
Net Position		
Net investment in capital assets	\$ 11,312,796	\$ 11,720,706
Restricted	3,172,818	2,851,837
Unrestricted	18,283,552	17,283,173
Total net position	<u>\$ 32,769,166</u>	<u>\$ 31,855,716</u>

Net Position may serve over time as a useful indicator of the Organization's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$32.7M at the close of the most recent fiscal year, an increase of \$913K over FY24. Compensated leave balances increased by \$134K for a balance of \$1.6M due in part to new implementation of GASB 101, which requires an estimate of earned sick leave expected to be taken. Lease

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

costs include leased vehicles and subscriptions for right to use IT applications. Leases for 2 new vans were added when the existing leases expired during FY25. The lease liability increased by 517K for a balance of 486K in the current year.

PCS staff act as payee representative to several consumers in DD residential settings, providing management of individual bank accounts totaling \$90,697 on June 30, 2025. Other restricted assets are the funds designated for HUD and USDA sites. The current year's amount of \$211,513 is designated by the funding source for renovation and repair, and security deposits.

Capital Assets

PCS has long range building and property improvements as part of its management priorities. Investments in the cash reserves account Local Government Investment Pool set aside for buildings totaled \$1.9 million as of June 30, 2025.

Six vehicles were purchased during FY25. Routine improvement projects were performed, including a new roof for the Prevention house. Start-up equipment capitalized for the Crisis Receiving Center (CRC) totaled 63K while CRC leasehold improvements totaled \$28K. Combined total net capital costs totaled \$303K.

Additional information can be found in Note 5 of the financial statements.

Long-Term Debt

PCS has \$1,754,603 (less current portion \$165,631) of debt outstanding. One loan is payable to USDA for Technology Drive, Rocky Mount with final payment due February 2039 (reduced from May, 2047 after a lump sum payment made in 2011). Two loans are payable to Fidelity Bank with final payment due in 2030 for the Little Ivy Property and the Recovery Center.

In late June 2025, PCS signed a contract for a possible purchase of property intended for Psychosocial Rehab and Crisis Response services, pending a due-diligence period and acceptable loan arrangements.

Information herein is exclusive of lease and subscription liabilities. Additional information can be found in Note 8 to the financial statements.

Summary

The Medicaid eligibility renewal process by Department of Social Services (DSS) has continued to identify clients who either failed to renew or have failed to meet income eligibility. The number of PCS clients enrolled in Medicaid showed a decline during FY25. Many clients temporarily lost coverage but with help from PCS staff in the Same Day Access unit, some are able to have Medicaid reinstated. PCS is continuing to take proactive measures to track renewal dates and educate clients about the renewal process to prevent any lapse in coverage for essential health care.

PCS may also begin to see a decrease in Private Insurance collections in the coming year because of the anticipated changes to the Affordable Care health plans. The long-term financial effects of these processes are not yet known.

The growing challenge of recruiting and hiring of qualified staff for all classifications of positions will continue as the shift in work force continues. Implementation of targeted outreach efforts with the creation of a Public Relations FTE has resulted in improved community awareness of both services and job openings.

PCS ended FY25 with adequate reserves equivalent to 4 months of operating expenses, providing financial assurance as the economic conditions going into FY26 evolve.

Requests for Information

This financial report is designed to provide a general overview of Piedmont Regional Community Services Board's finances for all those with an interest in PCS's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 24 Clay Street, Martinsville, Virginia 24112.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Statement of Net Position
As of June 30, 2025
(With Comparative Totals for 2024)

	2025	2024
Assets		
Current Assets:		
Cash and cash equivalents	\$ 19,539,737	\$ 17,849,632
Accounts receivable, less allowance for uncollectibles	2,018,555	1,842,515
Due from other governments	717,291	1,300,399
Prepaid items	265,884	245,135
Total current assets	<u>\$ 22,541,467</u>	<u>\$ 21,237,681</u>
Restricted Assets:		
Cash and cash equivalents	<u>\$ 211,513</u>	<u>\$ 205,648</u>
Other Assets:		
Net pension asset	<u>\$ 3,081,656</u>	<u>\$ 2,369,960</u>
Capital Assets:		
Capital assets, not being depreciated	\$ 1,252,761	\$ 1,252,761
Capital assets, net of accumulated depreciation/amortization	12,300,545	12,497,806
Total capital assets	<u>\$ 13,553,306</u>	<u>\$ 13,750,567</u>
Total assets	<u>\$ 39,387,942</u>	<u>\$ 37,563,856</u>
Deferred Outflows of Resources		
Items related to net pension asset	\$ 871,589	\$ 880,670
Items related to net OPEB liability	239,800	226,215
Total deferred outflows of resources	<u>\$ 1,111,389</u>	<u>\$ 1,106,885</u>
Liabilities		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,274,815	\$ 2,056,734
Accrued interest	1,288	3,093
Compensated absences	1,609,615	1,475,290
Security and escrow deposits	42,069	26,559
Subscription liability, current portion	30,910	64,281
Lease liabilities, current portion	133,641	10,442
Long-term debt, current portion	165,631	160,234
Total current liabilities	<u>\$ 4,257,969</u>	<u>\$ 3,796,633</u>
Liabilities Payable from Restricted Assets:		
Accounts payable and accrued expenses	\$ 946	\$ 1,110
Security deposits and other	5,296	5,473
Total liabilities payable from restricted assets	<u>\$ 6,242</u>	<u>\$ 6,583</u>
Long-Term Liabilities:		
Subscription liability, less current portion	\$ -	\$ 30,911
Lease liabilities, less current portion	321,356	9,394
Long-term debt, less current portion	1,588,972	1,754,599
Net OPEB liability	729,925	766,001
Total long-term liabilities	<u>\$ 2,640,253</u>	<u>\$ 2,560,905</u>
Total liabilities	<u>\$ 6,904,464</u>	<u>\$ 6,364,121</u>
Deferred Inflows of Resources		
Items related to net pension asset	\$ 705,640	\$ 338,593
Items related to net OPEB liability	120,061	112,311
Total deferred inflows of resources	<u>\$ 825,701</u>	<u>\$ 450,904</u>
Net Position		
Net investment in capital assets	\$ 11,312,796	\$ 11,720,706
Restricted for unexpended grant and HUD funds	91,162	481,877
Restricted for net pension asset	3,081,656	2,369,960
Unrestricted	18,283,552	17,283,173
Total net position	<u>\$ 32,769,166</u>	<u>\$ 31,855,716</u>

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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
Operating revenue:		
Net patient service revenue	\$ 19,232,108	\$ 18,181,114
Operating expenses:		
Salaries and benefits	\$ 29,466,088	\$ 26,828,481
Staff development	178,741	122,930
Facility	1,367,066	1,249,890
Supplies	1,092,669	1,113,980
Travel	572,239	520,872
Contractual and consulting	3,356,250	3,521,753
Depreciation and amortization	1,037,617	859,126
Other	384,650	475,064
Total operating expenses	\$ 37,455,320	\$ 34,692,096
Operating income (loss)	\$ (18,223,212)	\$ (16,510,982)
Nonoperating revenues (expenses):		
Appropriations:		
Commonwealth of Virginia	\$ 14,045,779	\$ 11,981,536
Federal government	3,649,079	4,142,425
Local governments	542,785	486,685
Rent	332,587	307,490
Investment income	103,453	107,417
Other	544,079	489,547
Interest expense	(81,100)	(79,604)
Total nonoperating revenues (expenses)	\$ 19,136,662	\$ 17,435,496
Change in net position	\$ 913,450	\$ 924,514
Net position, beginning of year	<u>31,855,716</u>	<u>30,931,202</u>
Net position, end of year	<u>\$ 32,769,166</u>	<u>\$ 31,855,716</u>

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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Statement of Cash Flows
Year Ended June 30, 2025
(With Comparative Totals for 2024)

	2025	2024
Cash flows from operating activities:		
Receipts from customers	\$ 19,055,768	\$ 18,720,367
Payments to suppliers	(6,560,073)	(6,778,485)
Payments to and/or for employees	(29,887,983)	(27,064,952)
Cash flows provided by (used for) operating activities	<u>\$ (17,392,288)</u>	<u>\$ (15,123,070)</u>
Cash flows from noncapital financing activities:		
Government grants	\$ 18,820,751	\$ 16,520,010
Other	876,666	801,321
Cash flows provided by (used for) noncapital financing activities	<u>\$ 19,697,417</u>	<u>\$ 17,321,331</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ (323,021)	\$ (247,783)
Principal payments on long-term debt	(306,686)	(238,592)
Payments for interest	(82,905)	(77,649)
Cash flows provided by (used for) capital and related financing activities	<u>\$ (712,612)</u>	<u>\$ (564,024)</u>
Cash flows from investing activities:		
Investment income	<u>\$ 103,453</u>	<u>\$ 107,417</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 1,695,970</u>	<u>\$ 1,741,654</u>
Cash and cash equivalents, beginning of year	<u>18,055,280</u>	<u>16,313,626</u>
Cash and cash equivalents, end of year	<u><u>\$ 19,751,250</u></u>	<u><u>\$ 18,055,280</u></u>
Cash and cash equivalents:		
Unrestricted	\$ 19,539,737	\$ 17,849,632
Restricted	211,513	205,648
Total	<u><u>\$ 19,751,250</u></u>	<u><u>\$ 18,055,280</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (18,223,212)	\$ (16,510,982)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	1,037,617	859,126
Changes in operating assets, liabilities, and deferred outflows/inflows of resources:		
(Increase)/decrease in:		
Accounts receivable	(176,340)	543,875
Prepaid items	(20,749)	(38,105)
Net pension asset	(711,696)	(102,697)
Deferred outflows related to net pension asset	9,081	193,960
Deferred outflows related to net OPEB liability	(13,585)	15,842
Increase/(decrease) in:		
Accounts payable and accrued expenses	218,217	138,804
Security and escrow deposits	15,333	2,375
Unearned revenue	-	(4,622)
Compensated absences	134,325	147,345
Net OPEB liability	(36,076)	(8,594)
Deferred inflows related to net pension asset	367,047	(316,061)
Deferred inflows related to net OPEB liability	7,750	(43,336)
Cash flows provided by (used for) operating activities	<u><u>\$ (17,392,288)</u></u>	<u><u>\$ (15,123,070)</u></u>
Schedule of non-cash investing, capital, and financing activities		
Forgiveness of accounts payable	\$ -	\$ 2,500
Acquisition of asset through subscription	-	100,805
Acquisition of asset through lease	517,335	-

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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Fiduciary Funds
Statement of Fiduciary Net Position
As of June 30, 2025
(With Comparative Totals for 2024)

	Custodial Funds	
	2025	2024
Assets		
Cash and cash equivalents	\$ 90,697	\$ 109,293
Total assets	\$ 90,697	\$ 109,293
Net Position		
Restricted for ICF	\$ 14,357	\$ 17,886
Restricted for clients	76,340	91,407
Total net position	\$ 90,697	\$ 109,293

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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2025
(With Comparative Totals for 2024)

	Custodial Funds	
	2025	2024
Additions:		
SSA income	\$ 297,363	\$ 290,866
SSI income	99,672	122,643
VA benefits	1,464	450
Other income	3,459	13,001
Total additions	\$ 401,958	\$ 426,960
Deductions:		
Care and maintenance	\$ 308,097	\$ 311,800
Personal needs	59,931	61,923
Clothing	11,411	8,581
Medical	7,385	6,100
Insurance and taxes	1,253	14,598
Other	32,477	37,996
Total deductions	\$ 420,554	\$ 440,998
Net increase (decrease) in fiduciary net position	\$ (18,596)	\$ (14,038)
Net position, beginning of year	\$ 109,293	\$ 123,331
Net position, end of year	\$ 90,697	\$ 109,293

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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Organization:

The Organization operates as an agent for the Counties of Henry, Franklin, Patrick, and the City of Martinsville in the establishment and operation of community mental health, developmentally disabled and substance use programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia (1950), relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the Organization provides a system of community mental health and developmentally disabled and substance use services which relate to and are integrated with existing and planned programs.

B. Financial Reporting Entity:

For financial reporting purposes, the Organization includes all organizations which exclusively benefit the Organization. All component units included in these financial statements have years which end on June 30.

Blended Component Units:

Blended component units, although legally separate entities are, in substance, part of the Organization's operations, and so data from these units are combined with data of the Organization. The Organization has the following blended component units: Scuffling Hill Housing, Inc., Maynor Street Housing Inc., Pebble Creek Housing, Inc. and West Church Street Housing, Inc. All these organizations have been included as part of the reporting entity. These entities are not-for-profit organizations exempt under Section 501(c)(3) of the Internal Revenue Code and were organized to own and operate facilities for handicapped individuals. Separately issued financial statements for the blended component units are available from the Chief Financial Officer, 24 Clay Street, Martinsville, VA 24112.

C. Financial Statement Presentation:

Piedmont Regional Community Services Board dba Piedmont Community Services is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board. The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

D. Basis of Accounting:

The Organization is funded by federal, state and local funds. Its accounting policies are governed by applicable provisions of these grants and applicable pronouncements and publications of the grantors. These statements are prepared on an enterprise fund basis and present the Authority's operating revenues and expenses in a manner similar to a private business, where the costs, including depreciation, of providing services to the public on a continuing basis are financed or recovered primarily through user charges. The Organization utilizes the accrual basis of accounting where revenues are recorded when earned and expenses recorded when due. Substantially all revenues and expenses are subject to accrual.

The accounts of the Organization are organized on the basis of funds, each of which is considered a separate accounting entity. The operations are accounted for with a separate set of self-balancing accounts.

Enterprise Funds

The Operating Fund comprises the Organization's Enterprise Funds. Enterprise funds, proprietary fund types, are accounted for on an economic resources measurement focus. All assets and liabilities, whether current or long-term, and deferred outflows and inflows of resources associated with the Organization's activities are included on its Statement of Net Position.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. Basis of Accounting: (continued)

Enterprise Funds (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses are defined as those items which result from providing services, and include all transactions and events which are not capital and related financing, noncapital or investing activities. Nonoperating revenues consist of grants, investment and other income. Nonoperating expenses are defined as capital and noncapital related financing and other expenses.

Fiduciary Funds

Fiduciary Funds (trust and custodial funds) account for assets held by the Organization in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds. Custodial Funds are comprised of client and ICF client funds. This fund accounts for funds held on behalf of clients housed at the various group homes. Fiduciary funds are not included in the enterprise financial statements.

E. Use of Estimates:

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

F. Cash and Cash Equivalents:

The Organization maintains cash accounts with financial institutions in accordance with the Virginia Security for Public Deposits Act of the Code of Virginia. The Act requires financial institutions to meet specific collateralization requirements. Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Organization. For purposes of the statement of cash flows, demand deposits and all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

G. Investments:

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

H. Restricted Assets:

The Organization segregates monies held on behalf of third parties (consumer funds and receivables) and debt reserve funds required to be maintained by loan covenants.

I. Client Accounts Receivable and Service Fee Revenue:

The Organization is required to collect the cost of services from third party sources and those individuals who are able to pay. However, the payment of amounts charged is based on individual circumstances and unpaid balances are pursued to the extent of the client's ability to pay. The Organization 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 Organization does not pursue the collection of amounts determined to qualify for financial assistance, they are not reported as revenue.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

I. Client Accounts Receivable and Service Fee Revenue: (continued)

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

The vast majority of fees collected result from Medicaid billings. An allowance for doubtful client and other accounts has been estimated by management to approximate \$460,859 at June 30, 2025 and \$419,563 at June 30, 2024.

J. Prepays:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The costs of prepaid items are recorded as expenses when consumed rather than when purchased.

K. Capital Assets:

Capital assets are tangible and intangible assets, which include property, plant, equipment, lease, and subscription assets. Capital assets are defined by the Organization as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years.

As the Organization constructs or acquires capital assets each period, they are capitalized and reported at historical cost (except for intangible right-to-use lease 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, buildings, improvements to buildings, land improvements, and furniture, fixtures, equipment and vehicles, lease assets, and subscription assets of the Organization are depreciated/amortized using the straight-line method over the following estimated useful lives (or life of the associated contract for lease and subscription assets):

Buildings	25 to 40 years
Improvements to buildings	10 to 40 years
Land improvements	8 to 15 years
Furniture, fixtures, equipment and vehicles	5 years
Lease machinery and equipment	3 to 5 years
Subscription asset	3 to 5 years

L. 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 Organization has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

L. Deferred Outflows/Inflows of Resources: (continued)

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 Organization has one type of item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

M. Pensions:

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Organization's Retirement Plan and the additions to/deductions from the Organization's Retirement Plan's 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.

N. Other Postemployment Benefits (OPEB) - Group Life Insurance:

For purposes of measuring the net GLI OPEB liability, 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 OPEB Plan and the additions to/deductions from the VRS OPEB Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Compensated Absences:

The Board recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - vacation and sick leave. The liability for compensated absences is reported as incurred in the financial statements and includes salary-related benefits, where applicable.

Vacation

The Board's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

Sick Leave

The Board's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the Board and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

P. 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 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 Organization may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Organization's policy to consider restricted net position to have been depleted or used before unrestricted net position is applied.

Q. Rental Income:

The Organization and its component unit organizations receive rental income from tenants, including those eligible for certain U.S. Department of Housing and Urban Development programs. Tenant lease agreements are generally for one-year terms and rental income is recorded when earned. This revenue is reported in other nonoperating income for financial reporting.

R. Budgetary Accounting:

The Organization follows these procedures in establishing its budgets:

In response to Letters of Notification received from the Virginia Department of Behavioral Health and Developmental Services (the Department), the Organization submits a Performance Contract to the Department. This application contains complete budgets for all core services.

The Organization's Performance reports are filed with the Department during the fiscal year, 45 working days after the end of the second quarter. The final quarterly report is generally due by August 31 (unless extended), following the end of the fiscal year.

If any changes are made during the fiscal year in state or federal block grants, or local match funds the Organization submits Performance Contract revisions which reflect these changes in time to be received by the Department by required deadlines.

S. Comparative Totals:

Comparative amounts are presented for informational purposes only.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

T. Leases and Subscription-Based IT Arrangements:

The Organization 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 transactions.

Lessee

The Organization recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial individual value of \$10,000 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). Subsequently, the lease liability is reduced by the principal portion of lease 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. Subsequently, the lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Subscriptions

The Organization recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of \$10,000, individually or in the aggregate, in 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). Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before commencement of the subscription term, and capitalizable implementation costs, less any incentives received. Subsequently, 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 Organization 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 Organization uses its estimated incremental borrowing rate as the discount rate for leases and subscription.
- The lease and subscription terms include 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 or subscription liability.

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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

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 in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Restricted Deposits:

Restricted deposits consist of debt service reserve funds required by the USDA loan covenants and funds restricted for use by HUD in related organizations.

Investments:

Statutes authorize the Organization 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).

The following is a summary of cash and cash equivalents:

	PCS	Custodial Funds	Component Units	Total 2025	Total 2024
Cash on hand and petty cash	\$ 6,788	\$ -	\$ -	\$ 6,788	\$ 6,300
Deposits with banks	17,681,552	90,697	97,404	17,869,653	16,284,076
Investments-LGIP	1,965,506	-	-	1,965,506	1,874,197
Total	<u>\$ 19,653,846</u>	<u>\$ 90,697</u>	<u>\$ 97,404</u>	<u>\$ 19,841,947</u>	<u>\$ 18,164,573</u>

Credit Risk of Debt Securities:

The Organization’s investment policies allow the investment of funds in money market funds, repurchase agreements, the Commonwealth of Virginia Local Government Investment Pool, U.S. Treasury and agency securities and non-negotiable certificates of deposit. The Organization also accepts donations of equity securities. The Organization’s rated debt investments at June 30, 2025 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale.

Rated Debt Investments	
Rated Debt Investments	Fair Quality Ratings
	<u>AAAm</u>
Virginia Local Government Investment Pool	<u>\$ 1,965,506</u>

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Interest Rate Risk:

The Organization's investment policy prohibits investing in instruments with a maturity date of greater than one year from the date of purchase.

	Interest Rate Risk	
	Investment Maturities (in Years)	
	Value	Less than 1 Year
Virginia Local Government Investment Pool	\$ 1,965,506	\$ 1,965,506

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 an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 3 - ACCOUNTS RECEIVABLE:

At June 30, the Organization had accounts receivable due from the following primary sources.

	2025	2024
Virginia Department of Medical Assistance Services (Medicaid)	\$ 1,465,050	\$ 1,511,265
Direct client, third party and other	1,014,364	750,813
Total	\$ 2,479,414	\$ 2,262,078
Less: Allowance for uncollectibles	(460,859)	(419,563)
Net accounts receivable	\$ 2,018,555	\$ 1,842,515

Other than the amounts due for Medicaid charges, there are no other individually significant sources of receivables.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 4 - DUE FROM OTHER GOVERNMENTS:

The Organization has amounts due from other governments as follows:

	<u>2025</u>	<u>2024</u>
Commonwealth of Virginia:		
MH Persons with SMI	\$ 78,104	\$ 190,080
Emergency Dept and 1st Responders	-	15,186
Others	39,191	68,257
City of Martinsville	-	10,435
County of Franklin	31,914	24,303
Appalachian Regional Commission	58,865	206,965
US Dept. of Health and Human Services:		
Drug-Free Communities Grant	14,226	25,992
Mental Health Awareness Grants	69,107	91,885
Temporary Assistance for Needy Families	18,259	-
Health Resources and Services Administration	39,053	57,908
Maternal Infant & Home Visiting	20,570	9,447
Mental Health Block Grant	70,976	37,200
State Opioid Response Grants	113,158	157,089
Substance Abuse Block Grants	129,651	173,436
Prevention Grants	-	62,561
Alcohol Drug Treatment	-	99,540
US Dept. of Justice:		
Justice Assistance Grant	34,217	70,115
Total	\$ <u>717,291</u>	\$ <u>1,300,399</u>

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 5 - CAPITAL ASSETS:

Capital assets consist of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets:				
Land	\$ 1,246,018	\$ -	\$ -	\$ 1,246,018
Construction in progress	6,743	-	-	6,743
Total non-depreciable assets	<u>\$ 1,252,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,252,761</u>
Depreciable assets:				
Buildings and improvements	\$ 19,228,447	\$ 49,737	\$ (10,228)	\$ 19,267,956
Land improvements	124,610	-	-	124,610
Furnishings and equipment	3,373,345	275,841	(12,190)	3,636,996
Right-to-use lease equipment	43,775	517,335	-	561,110
Right-to-use subscription asset	206,372	-	-	206,372
Total depreciable assets	<u>\$ 22,976,549</u>	<u>\$ 842,913</u>	<u>\$ (22,418)</u>	<u>\$ 23,797,044</u>
Accumulated depreciation/amortization				
Buildings and improvements	\$ (7,986,087)	\$ (609,332)	\$ 7,671	\$ (8,587,748)
Land improvements	(87,959)	(6,625)	-	(94,584)
Furnishings and equipment	(2,291,951)	(265,608)	12,190	(2,545,369)
Right-to-use lease equipment	(26,228)	(87,261)	-	(113,489)
Right-to-use subscription asset	(86,518)	(68,791)	-	(155,309)
Total accumulated depreciation/amortization	<u>\$ (10,478,743)</u>	<u>\$ (1,037,617)</u>	<u>\$ 19,861</u>	<u>\$ (11,496,499)</u>
Net capital assets being depreciated	<u>\$ 12,497,806</u>	<u>\$ (194,704)</u>	<u>\$ (2,557)</u>	<u>\$ 12,300,545</u>
Total capital assets	<u><u>\$ 13,750,567</u></u>	<u><u>\$ (194,704)</u></u>	<u><u>\$ (2,557)</u></u>	<u><u>\$ 13,553,306</u></u>

Total depreciation and amortization expense were \$995,216 for 2025 and \$859,126 for 2024.

NOTE 6 - LEASE COMMITMENTS:

The Organization leases office space and other facilities from various lessors. The lease terms range from monthly to one year. On May 31, 2018, the Organization entered into a new lease with the City of Martinsville for office space. This lease includes an option to purchase the property. Any payments tendered prior to the exercise of said option, less major capital expenses, incurred by the City related to occupancy of the premises, shall be applied to the purchase price. The Organization may be given credit toward lease payments for any improvement costs incurred, pending approval. The lease provides for thirteen monthly payments of \$1,500 expiring June 30, 2019 and was renewed for one additional year. In August 2018, the Organization paid for carpet replacement and was given credit toward lease payments from September 2018 through April 2019. The lease has not been formally renewed since the expiration on June 30, 2020. However, the Organization has continued to occupy the building and monthly payments have continued based on the most recent renewal.

Total rent expense for the years ended June 30, 2025 and 2024 totaled \$148,805 and \$117,486, respectively.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 7 - COMPENSATED ABSENCES:

The Organization has accrued the liability arising from compensated absences. Organization employees earn leave based on length of service. The Organization had outstanding accrued leave pay totaling \$1,609,615 at June 30, 2025 and \$1,475,290 at June 30, 2024. All of the compensated absence amounts are deemed to be current. Compensated absences increased by \$134,325 from 2024 to 2025.

NOTE 8 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations transactions of the Organization for the year ended June 30, 2025:

	<u>Beginning Balance</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Ending Balance</u>
Direct borrowings and placements:				
Notes payable	\$ 1,914,833	\$ -	\$ (160,230)	\$ 1,754,603
Lease liabilities	19,836	517,335	(82,174)	454,997
Subscription liabilities	95,192	-	(64,282)	30,910
Net OPEB liability	766,001	310,198	(346,274)	729,925
Total	<u>\$ 2,795,862</u>	<u>\$ 827,533</u>	<u>\$ (652,960)</u>	<u>\$ 2,970,435</u>

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

Year Ending June 30,	Direct Borrowings and Placements		Lease Liabilities		Subscription Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 165,631	\$ 67,592	\$ 133,641	\$ 14,947	\$ 30,910	\$ 258
2027	171,218	62,195	136,426	9,197	-	-
2028	176,977	56,608	81,699	4,510	-	-
2029	182,986	50,849	64,602	2,310	-	-
2030	189,183	44,840	38,629	403	-	-
2031-2035	482,419	147,935	-	-	-	-
2036-2039	386,189	48,892	-	-	-	-
Total	<u>\$ 1,754,603</u>	<u>\$ 478,911</u>	<u>\$ 454,997</u>	<u>\$ 31,367</u>	<u>\$ 30,910</u>	<u>\$ 258</u>

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 8 - LONG-TERM DEBT: (continued)

Details of long-term obligations at June 30, 2025 were as follows:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance at June 30	Amount Due Within One Year
Direct Borrowings and Placements:						
USDA Rural Development Bond	4.13%	06/22/2009	2039	\$ 2,161,300	\$ 1,179,056	\$ 65,417
The Fidelity Bank	3.00%	08/01/2020	2030	302,000	167,279	30,393
The Fidelity Bank	2.65%	11/30/2020	2030	700,000	408,268	69,821
Total Direct Borrowings and Placements					<u>\$ 1,754,603</u>	<u>\$ 165,631</u>
Lease Liabilities:						
2021 Escape	10.00%	12/01/2021	2027	\$ 27,637	\$ 9,394	\$ 6,492
Lester Properties	3.00%	09/01/2024	2027	138,394	101,677	45,384
2024 Ford Transit (3158)	7.60%	12/01/2024	2027	34,709	29,287	11,473
2024 Ford Transit (9289)	7.60%	12/01/2024	2027	34,709	29,287	11,473
Advanced Pharmacy Solutions	3.10%	02/27/2025	2030	309,522	285,352	58,819
Total Lease Liabilities					<u>\$ 454,997</u>	<u>\$ 133,641</u>
Subscription Liabilities:						
Relias	5.00%	08/01/2023	2026	\$ 100,805	\$ 30,910	\$ 30,910
Total Subscription Liabilities					<u>\$ 30,910</u>	<u>\$ 30,910</u>
Other Obligations:						
Net OPEB liability					\$ 729,925	\$ -
Total Long-term obligations					<u>\$ 2,970,435</u>	<u>\$ 330,182</u>

The Organization is in compliance with federal arbitrage regulations.

Outstanding notes carry the following default provisions:

For the USDA note, upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Organization (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Organization, and default under any such instrument may be construed by the Government to constitute default hereunder.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 8 - LONG-TERM DEBT: (continued)

For the Fidelity Bank loans, upon default, the lender may add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in the Note (including any increased rate). Upon default, the interest rate on the Notes shall be increased to 18.000%. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law. The Lender may declare the entire unpaid principal balance under the Notes and all accrued unpaid interest, together with all other applicable fees, costs and charges, if any, immediately due and payable. Subject to any limits under applicable law, the Borrower agrees to pay lender's attorneys' fees equal to 25.000% of the principal balance due on the loan and all of Lender's other collection expenses, whether or not there is a lawsuit, including without limitation legal expenses for bankruptcy proceedings. To the extent permitted by applicable law, the Lender reserves right of setoff on all Borrower's accounts with Lender (whether checking, savings, or some other account). Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow the Lender to protect the Lender's charge and setoff rights provided in this paragraph.

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

Federal programs in which the Organization participates were audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions therein all major programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The Organization has a line of credit with Carter Bank and Trust in the amount of \$4,000,000. The agreement is dated April 5, 2024 and expires on April 5, 2026 with interest at the prime rate on corporate loans as posted by at least seventy percent of the ten largest banks in the United States and published periodically in the Wall Street Journal, with a minimum interest rate of 7.50%. The Organization did not draw on the line during fiscal year 2025 or fiscal year 2024.

At June 30, 2025, the Organization had no significant projects underway with outstanding construction contracts.

NOTE 10 - LOCAL FUNDS:

The following is a schedule of local funding by locality:

	2025	2024
Martinsville City	\$ 58,125	\$ 58,125
Henry County	221,760	216,060
Patrick County	71,179	71,179
Franklin County	170,621	120,621
Other In-Kind Match Amounts	21,100	20,700
Total	\$ 542,785	\$ 486,685

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 11 - NET PATIENT SERVICE REVENUES:

Net patient service revenues were derived from the following sources:

	<u>2025</u>	<u>2024</u>
Medicaid	\$ 18,135,542	\$ 16,694,222
Direct client	513,390	603,140
Other	583,176	883,752
Total	<u>\$ 19,232,108</u>	<u>\$ 18,181,114</u>

NOTE 12 - RENTAL INCOME:

As a part of its operational purpose, the Organization receives rent for the use of residential facilities it owns. In fiscal year 2019, the Organization also entered into a three-year cancelable lease with a pharmacy provider, with the option for additional one-year renewal terms. The cost of the leased assets and related accumulated depreciation and depreciation expense are as follows:

	<u>2025</u>	<u>2024</u>
Rent received	\$ 332,587	\$ 307,490
Cost of lease assets	2,650,451	2,650,451
Accumulated depreciation	1,561,073	1,488,296
Depreciation expense	72,382	72,723

All rent received is pursuant to lease agreements which are one year or less, with the exception of the pharmacy lease.

NOTE 13 - RESTRICTED NET POSITION:

Restricted net position consists of the net position of the component units less the cost of capital assets net of related debt of \$91,162. The net position is considered restricted due to the regulatory oversight over the Organization by the U.S. Department of Housing and Urban Development and the restrictions on the use of the property pursuant to the acceptance of capital advance funds by the Organization and state program restrictions on the use of certain funds. Net position is also restricted for the net pension asset.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 14 - SELF-INSURANCE / RISK MANAGEMENT:

General and Property Insurance:

The Organization has contracted with a commercial insurance carrier for general, professional liability, and director and officers' liability coverages which have \$1,000,000 coverage limits. Professional malpractice coverage is \$2,150,000. Other insurance coverages for property, workers compensation, crime, dishonesty and related coverages are provided by various commercial insurance carriers. Any settlements have not exceeded coverage in the past three years. Management believes the above-described coverage is sufficient to preclude any significant uninsured losses.

Employee Health Insurance:

The Organization has established a self-insurance plan for its employee health program. The program is administered by a private insurance carrier. Premium payments are based on the number of employees insured and benefits.

Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Incurred but not reported claims have been accrued based upon history and estimates from the insurance carrier. The change in the estimated claims liability recorded in accounts payable and accrued liabilities for fiscal years 2025, 2024, and 2023 is summarized below.

Fiscal Year	Estimated Claims Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Estimated Claims Liability End of Fiscal Year
2025	\$ 177,514	\$ 4,157,952	\$ 4,084,891	\$ 250,575
2024	153,257	2,736,262	2,712,005	177,514
2023	161,097	2,647,973	2,655,813	153,257

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 15 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Organization 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.

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 and 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 and 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.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 15 - 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, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>81</u>
Inactive members:	
Vested inactive members	45
Non-vested inactive members	177
Inactive members active elsewhere in VRS	<u>86</u>
Total inactive members	<u>308</u>
Active members	<u>341</u>
Total covered employees	<u><u>730</u></u>

Contributions

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

The Organization's contractually required employer contribution rate for the year ended June 30, 2025 was 3.07% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Organization were \$562,427 and \$595,968 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$125,431 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$95,984 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$12,543,135 for the year ended June 30, 2025.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 15 - PENSION PLAN: (continued)

Net Pension Liability (Asset)

The net pension liability (asset) (NPLA) 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 PCS, the net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Organization's Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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

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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 15 - PENSION PLAN: (continued)

Actuarial Assumptions - General Employees (continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
Expected arithmetic nominal return**			7.07%

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 15 - PENSION PLAN: (continued)

Long-Term Expected Rate of Return (continued)

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, 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%.

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. For the year ended June 30, 2024, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024 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, 2023	\$ 23,654,280	\$ 26,024,240	\$ (2,369,960)
Changes for the year:			
Service cost	\$ 1,216,789	\$ -	\$ 1,216,789
Interest	1,650,345	-	1,650,345
Differences between expected and actual experience	294,079	-	294,079
Contributions - employer	-	595,758	(595,758)
Contributions - employee	-	728,731	(728,731)
Net investment income	-	2,562,995	(2,562,995)
Benefit payments, including refunds of employee contributions	(843,032)	(843,032)	-
Administrative expenses	-	(15,179)	15,179
Other changes	-	604	(604)
Net changes	\$ 2,318,181	\$ 3,029,877	\$ (711,696)
Balances at June 30, 2024	\$ 25,972,461	\$ 29,054,117	\$ (3,081,656)

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 15 - 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 the Organization's using the discount rate of 6.75%, as well as what the Organization'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%)
Organization's Net Pension Liability (Asset)	\$ 658,794	\$ (3,081,656)	\$ (6,065,894)

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

For the year ended June 30, 2025, the Organization recognized pension expense of \$226,648. At June 30, 2025, the Organization 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	\$ 309,162	\$ -
Net difference between projected and actual earnings on pension plan investments	-	705,640
Employer contributions subsequent to the measurement date	562,427	-
Total	\$ 871,589	\$ 705,640

\$562,427 reported as deferred outflows of resources related to pensions resulting from the Organization's contributions subsequent to the measurement date will be recognized as an increase to the Net Pension Asset in the fiscal year ending June 30, 2026. 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	
2026	\$ (400,502)
2027	275,433
2028	(113,289)
2029	(158,120)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 16 - 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 employee 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.

The specific information for GLI Plan 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 \$9,532 as of June 30, 2025.

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 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18% 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, 2025 was 0.47% 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, 2023. 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 GLI Plan from the entity were \$86,164 and \$90,689 for the years ended June 30, 2025 and June 30, 2024, respectively.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 16 - 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, 2025, the entity reported a liability of \$729,925 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 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, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was .06541% as compared to .06387% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of \$44,251. 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, 2025, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 115,126	\$ 17,830
Net difference between projected and actual earnings on GLI OPEB plan investments	-	61,525
Change in assumptions	4,161	36,174
Changes in proportionate share	34,349	4,532
Employer contributions subsequent to the measurement date	86,164	-
Total	<u>\$ 239,800</u>	<u>\$ 120,061</u>

\$86,164 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, 2026. 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:

<u>Year Ended June 30</u>	
2026	\$ (17,440)
2027	21,269
2028	5,284
2029	10,338
2030	14,124

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 16 - 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, 2023, 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, 2024. 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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 16 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)

Actuarial Assumptions (continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (continued)

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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, 2024, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 4,196,055
Plan Fiduciary Net Position	3,080,133
GLI Net OPEB Liability (Asset)	<u>\$ 1,115,922</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.41%

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.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 16 - 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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
Expected arithmetic nominal return**			7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, 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%.

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, 2024, 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, 2024 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.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Financial Statements
As of June 30, 2025 (continued)

NOTE 16 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Organization's proportionate share of the GLI Plan Net OPEB Liability	\$ 1,135,128	\$ 729,925	\$ 402,574

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 17 - ADOPTION OF ACCOUNTING PRINCIPLES:

During the current year, the Board implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the Board now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. Since the impact of the change in accounting principle was not significant, there was no restatement of beginning balances.

NOTE 18 - UPCOMING PRONOUNCEMENTS:

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.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of assets (lease assets, subscription assets, intangible right-to-use assets, and other intangible assets) to be disclosed separately in the capital asset note disclosures by major class of underlying asset. It also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, 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.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Schedule of Changes in Net Pension Asset and Related Ratios
For the Measurement Dates June 30, 2015 through June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 1,216,789	\$ 1,128,198	\$ 1,108,658	\$ 1,133,383	\$ 1,157,297	\$ 1,047,246	\$ 984,281	\$ 1,040,068	\$ 1,044,230	\$ 1,007,002
Interest	1,650,345	1,522,180	1,379,548	1,174,894	1,068,202	959,796	855,703	787,047	691,313	610,290
Differences between expected and actual experience	294,079	28,351	396,383	(17,841)	(48,131)	67,374	61,880	(39,235)	(77,525)	(253,095)
Assumption changes				297,782	-	533,183	-	(430,687)	-	-
Benefit payments	(843,032)	(894,119)	(688,024)	(641,906)	(551,570)	(435,958)	(393,670)	(359,136)	(221,626)	(191,837)
Net change in total pension liability	\$ 2,318,181	\$ 1,784,610	\$ 2,196,565	\$ 1,946,312	\$ 1,625,798	\$ 2,171,641	\$ 1,508,194	\$ 998,057	\$ 1,436,392	\$ 1,172,360
Total pension liability - beginning	\$ 23,654,280	\$ 21,869,670	\$ 19,673,105	\$ 17,726,793	\$ 16,100,995	\$ 13,929,354	\$ 12,421,160	\$ 11,423,103	\$ 9,986,711	\$ 8,814,351
Total pension liability - ending (a)	<u>\$ 25,972,461</u>	<u>\$ 23,654,280</u>	<u>\$ 21,869,670</u>	<u>\$ 19,673,105</u>	<u>\$ 17,726,793</u>	<u>\$ 16,100,995</u>	<u>\$ 13,929,354</u>	<u>\$ 12,421,160</u>	<u>\$ 11,423,103</u>	<u>\$ 9,986,711</u>
Plan fiduciary net position										
Contributions - employer	\$ 595,758	\$ 548,516	\$ 525,178	\$ 507,898	\$ 526,125	\$ 519,898	\$ 526,714	\$ 500,100	\$ 598,255	\$ 572,388
Contributions - employee	728,731	659,320	627,514	591,926	583,249	555,567	497,499	469,678	451,813	453,791
Net investment income	2,562,995	1,588,168	(44,462)	5,085,751	335,362	1,085,191	1,051,311	1,492,425	213,600	458,772
Benefit payments	(843,032)	(894,119)	(688,024)	(641,906)	(551,570)	(435,958)	(393,670)	(359,136)	(221,626)	(191,837)
Administrator charges	(15,179)	(15,223)	(14,474)	(11,849)	(10,679)	(9,690)	(8,362)	(7,869)	(6,210)	(5,378)
Other	604	645	567	487	(410)	(691)	(1,146)	(1,361)	(86)	(101)
Net change in plan fiduciary net position	\$ 3,029,877	\$ 1,887,307	\$ 406,299	\$ 5,532,307	\$ 882,077	\$ 1,714,317	\$ 1,672,346	\$ 2,093,837	\$ 1,035,746	\$ 1,287,635
Plan fiduciary net position - beginning	\$ 26,024,240	\$ 24,136,933	\$ 23,730,634	\$ 18,198,327	\$ 17,316,250	\$ 15,601,933	\$ 13,929,587	\$ 11,835,750	\$ 10,800,004	\$ 9,512,369
Plan fiduciary net position - ending (b)	<u>\$ 29,054,117</u>	<u>\$ 26,024,240</u>	<u>\$ 24,136,933</u>	<u>\$ 23,730,634</u>	<u>\$ 18,198,327</u>	<u>\$ 17,316,250</u>	<u>\$ 15,601,933</u>	<u>\$ 13,929,587</u>	<u>\$ 11,835,750</u>	<u>\$ 10,800,004</u>
Organization's net pension liability (asset) - ending (a) - (b)	\$ (3,081,656)	\$ (2,369,960)	\$ (2,267,263)	\$ (4,057,529)	\$ (471,534)	\$ (1,215,255)	\$ (1,672,579)	\$ (1,508,427)	\$ (412,647)	\$ (813,293)
Plan fiduciary net position as a percentage of the total pension liability	111.87%	110.02%	110.37%	120.62%	102.66%	107.55%	112.01%	112.14%	103.61%	108.14%
Covered payroll	\$ 16,782,822	\$ 15,031,817	\$ 13,946,287	\$ 13,168,931	\$ 12,819,800	\$ 11,978,257	\$ 10,582,256	\$ 9,816,096	\$ 9,645,309	\$ 9,117,984
Organization's net pension asset as a percentage of covered payroll	-18.36%	-15.77%	-16.26%	-30.81%	-3.68%	-10.15%	-15.81%	-15.37%	-4.28%	-8.92%

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Schedule of Employer Contributions

Pension Plan

For the Years Ended June 30, 2016 through June 30, 2025

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)
2025	\$ 562,427	\$ 562,427	\$ -	\$ 18,326,771	3.07%
2024	595,968	595,968	-	16,782,822	3.55%
2023	548,957	548,957	-	15,031,817	3.65%
2022	525,508	525,508	-	13,946,287	3.77%
2021	508,142	508,142	-	13,168,931	3.86%
2020	526,405	526,405	-	12,819,800	4.11%
2019	520,097	520,097	-	11,978,257	4.34%
2018	526,714	526,714	-	10,582,256	4.98%
2017	500,300	500,300	-	9,816,096	5.10%
2016	612,477	612,477	-	9,645,309	6.35%

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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2025

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Schedule of Organization's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates June 30, 2017 through June 30, 2024

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)
2024	0.06541% \$	729,925 \$	16,794,214	4.35%	73.41%
2023	0.06387%	766,001	15,044,500	5.09%	69.30%
2022	0.06430%	774,595	13,992,416	5.54%	67.21%
2021	0.06390%	743,504	13,185,413	5.64%	67.45%
2020	0.06233%	1,040,186	12,827,553	8.11%	52.64%
2019	0.06121%	996,050	11,998,385	8.30%	52.00%
2018	0.05569%	846,000	10,589,886	7.99%	51.22%
2017	0.05324%	802,000	9,820,945	8.17%	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.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2016 through June 30, 2025

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)
2025	\$ 86,164	\$ 86,164	\$ -	\$ 18,332,856	0.47%
2024	90,689	90,689	-	16,794,214	0.54%
2023	81,240	81,240	-	15,044,500	0.54%
2022	75,559	75,559	-	13,992,416	0.54%
2021	70,674	70,674	-	13,185,413	0.54%
2020	67,217	67,217	-	12,827,553	0.52%
2019	62,872	62,872	-	11,998,385	0.52%
2018	55,492	55,492	-	10,589,886	0.52%
2017	51,463	51,463	-	9,820,945	0.52%
2016	46,418	46,418	-	9,670,313	0.48%

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2025

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Combining Statement of Net Position
As of June 30, 2025

Assets	Piedmont Community Services	Scuffling Hill Housing, Inc.	Maynor Street Housing, Inc.	Pebble Creek Housing, Inc.	West Church Street Housing, Inc.	Intercompany Eliminations	Total
Current Assets:							
Cash and cash equivalents	\$ 19,539,737	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,539,737
Accounts receivable, less allowance for uncollectibles	2,018,555	-	-	-	-	-	2,018,555
Due from other governments	717,291	-	-	-	-	-	717,291
Prepaid items	265,884	-	-	-	-	-	265,884
Total current assets	<u>\$ 22,541,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,541,467</u>
Restricted Assets:							
Cash and cash equivalents	\$ 114,109	\$ 19,933	\$ 31,914	\$ 16,866	\$ 28,691	\$ -	\$ 211,513
Other Assets:							
Net pension asset	\$ 3,081,656	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,081,656
Capital Assets:							
Capital assets, not being depreciated	\$ 1,065,629	\$ 78,980	\$ 1,800	\$ 26,638	\$ 79,714	\$ -	\$ 1,252,761
Capital assets, net of accumulated depreciation/amortization	11,527,757	108,403	202,677	208,340	253,368	-	12,300,545
Total capital assets	<u>\$ 12,593,386</u>	<u>\$ 187,383</u>	<u>\$ 204,477</u>	<u>\$ 234,978</u>	<u>\$ 333,082</u>	<u>\$ -</u>	<u>\$ 13,553,306</u>
Total assets	<u>\$ 38,330,618</u>	<u>\$ 207,316</u>	<u>\$ 236,391</u>	<u>\$ 251,844</u>	<u>\$ 361,773</u>	<u>\$ -</u>	<u>\$ 39,387,942</u>
Deferred Outflows of Resources							
Items related to net pension asset	\$ 871,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 871,589
Items related to net OPEB liability	239,800	-	-	-	-	-	239,800
Total deferred outflows of resources	<u>\$ 1,111,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,111,389</u>
Liabilities							
Current Liabilities:							
Accounts payable and accrued expenses	\$ 2,274,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,274,815
Accrued interest	1,288	-	-	-	-	-	1,288
Compensated absences	1,609,615	-	-	-	-	-	1,609,615
Security and escrow deposits	42,069	-	-	-	-	-	42,069
Subscription liabilities, current portion	30,910	-	-	-	-	-	30,910
Lease liabilities, current portion	133,641	-	-	-	-	-	133,641
Long-term debt, current portion	165,631	-	-	-	-	-	165,631
Total current liabilities	<u>\$ 4,257,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,257,969</u>
Liabilities Payable from Restricted Assets:							
Accounts payable and accrued expenses	\$ -	\$ 810	\$ 136	\$ -	\$ -	\$ -	\$ 946
Security deposits and other	-	1,168	1,337	1,646	1,145	-	5,296
Total liabilities payable from restricted assets	<u>\$ -</u>	<u>\$ 1,978</u>	<u>\$ 1,473</u>	<u>\$ 1,646</u>	<u>\$ 1,145</u>	<u>\$ -</u>	<u>\$ 6,242</u>
Long-Term Liabilities:							
Lease liabilities, less current portion	\$ 321,356	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 321,356
Long-term debt, less current portion	1,588,972	-	-	-	-	-	1,588,972
Net OPEB liability	729,925	-	-	-	-	-	729,925
Total long-term liabilities	<u>\$ 2,640,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,640,253</u>
Total liabilities	<u>\$ 6,898,222</u>	<u>\$ 1,978</u>	<u>\$ 1,473</u>	<u>\$ 1,646</u>	<u>\$ 1,145</u>	<u>\$ -</u>	<u>\$ 6,904,464</u>
Deferred Inflows of Resources							
Items related to net pension asset	\$ 705,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 705,640
Items related to net OPEB liability	120,061	-	-	-	-	-	120,061
Total deferred inflows of resources	<u>\$ 825,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 825,701</u>
Net Position							
Net investment in capital assets	\$ 10,352,876	\$ 187,383	\$ 204,477	\$ 234,978	\$ 333,082	\$ -	\$ 11,312,796
Restricted for unexpended HUD funds	-	17,955	30,441	15,220	27,546	-	91,162
Restricted for net pension asset	3,081,656	-	-	-	-	-	3,081,656
Unrestricted	18,283,552	-	-	-	-	-	18,283,552
Total net position	<u>\$ 31,718,084</u>	<u>\$ 205,338</u>	<u>\$ 234,918</u>	<u>\$ 250,198</u>	<u>\$ 360,628</u>	<u>\$ -</u>	<u>\$ 32,769,166</u>

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2025

	Piedmont Community Services	Scuffling Hill Housing, Inc.	Maynor Street Housing, Inc.	Pebble Creek Housing, Inc.	West Church Street Housing, Inc.	Intercompany Eliminations	Total
Operating revenue:							
Net patient service revenue	\$ 19,232,108	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,232,108
Operating expenses:							
Salaries and benefits	\$ 29,466,088	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,466,088
Staff development	178,741	-	-	-	-	-	178,741
Facility	1,242,846	52,247	50,672	53,759	49,724	(82,182)	1,367,066
Supplies	1,092,669	-	-	-	-	-	1,092,669
Travel	572,239	-	-	-	-	-	572,239
Contractual and consulting	3,356,250	-	-	-	-	-	3,356,250
Depreciation and amortization	976,405	13,739	16,475	14,879	16,119	-	1,037,617
Other	384,650	-	-	-	-	-	384,650
Total operating expenses	\$ 37,269,888	\$ 65,986	\$ 67,147	\$ 68,638	\$ 65,843	\$ (82,182)	\$ 37,455,320
Operating income (loss)	\$ (18,037,780)	\$ (65,986)	\$ (67,147)	\$ (68,638)	\$ (65,843)	\$ 82,182	\$ (18,223,212)
Nonoperating revenues (expenses):							
Appropriations:							
Commonwealth of Virginia	\$ 14,045,779	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,045,779
Federal government	3,649,079	-	-	-	-	-	3,649,079
Local governments	542,785	-	-	-	-	-	542,785
Rent	202,882	29,745	29,235	36,865	33,860	-	332,587
Investment income	103,369	18	30	12	24	-	103,453
Other	544,079	23,234	23,088	18,492	17,368	(82,182)	544,079
Interest expense	(81,100)	-	-	-	-	-	(81,100)
Total nonoperating revenues (expenses)	\$ 19,006,873	\$ 52,997	\$ 52,353	\$ 55,369	\$ 51,252	\$ (82,182)	\$ 19,136,662
Change in net position	\$ 969,093	\$ (12,989)	\$ (14,794)	\$ (13,269)	\$ (14,591)	\$ -	\$ 913,450
Net position, beginning of year	30,748,991	218,327	249,712	263,467	375,219	-	31,855,716
Net position, end of year	\$ 31,718,084	\$ 205,338	\$ 234,918	\$ 250,198	\$ 360,628	\$ -	\$ 32,769,166

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Combining Statement of Cash Flows
Year Ended June 30, 2025

	Piedmont Community Services	Scuffling Hill Housing, Inc.	Maynor Street Housing, Inc.	Pebble Creek Housing, Inc.	West Church Street Housing, Inc.	Intercompany Eliminations	Total
Cash flows from operating activities:							
Receipts from customers	\$ 19,055,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,055,768
Payments to suppliers	(6,435,812)	(52,243)	(50,533)	(53,754)	(49,913)	82,182	(6,560,073)
Payments to and/or for employees	(29,887,983)	-	-	-	-	-	(29,887,983)
Cash flows provided by (used for) operating activities	<u>\$ (17,268,027)</u>	<u>\$ (52,243)</u>	<u>\$ (50,533)</u>	<u>\$ (53,754)</u>	<u>\$ (49,913)</u>	<u>\$ 82,182</u>	<u>\$ (17,392,288)</u>
Cash flows from noncapital financing activities:							
Government grants	\$ 18,820,751	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,820,751
Other	746,961	52,979	52,323	55,357	51,228	(82,182)	876,666
Cash flows provided by (used for) noncapital financing activities	<u>\$ 19,567,712</u>	<u>\$ 52,979</u>	<u>\$ 52,323</u>	<u>\$ 55,357</u>	<u>\$ 51,228</u>	<u>\$ (82,182)</u>	<u>\$ 19,697,417</u>
Cash flows from capital and related financing activities:							
Acquisition of capital assets	\$ (323,021)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (323,021)
Principal payments on long-term debt	(306,686)	-	-	-	-	-	(306,686)
Payments for interest	(82,905)	-	-	-	-	-	(82,905)
Cash flows provided by (used for) capital and related financing activities	<u>\$ (712,612)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (712,612)</u>
Cash flows from investing activities:							
Investment income	\$ 103,369	\$ 18	\$ 30	\$ 12	\$ 24	\$ -	\$ 103,453
Cash flows provided by (used for) investing activities	<u>\$ 103,369</u>	<u>\$ 18</u>	<u>\$ 30</u>	<u>\$ 12</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 103,453</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 1,690,442</u>	<u>\$ 754</u>	<u>\$ 1,820</u>	<u>\$ 1,615</u>	<u>\$ 1,339</u>	<u>\$ -</u>	<u>\$ 1,695,970</u>
Cash and cash equivalents, beginning of year	<u>17,963,404</u>	<u>19,179</u>	<u>30,094</u>	<u>15,251</u>	<u>27,352</u>	<u>-</u>	<u>18,055,280</u>
Cash and cash equivalents, end of year	<u><u>\$ 19,653,846</u></u>	<u><u>\$ 19,933</u></u>	<u><u>\$ 31,914</u></u>	<u><u>\$ 16,866</u></u>	<u><u>\$ 28,691</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,751,250</u></u>
Cash and cash equivalents:							
Unrestricted	\$ 19,539,737	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,539,737
Restricted	114,109	19,933	31,914	16,866	28,691	-	211,513
Total	<u>\$ 19,653,846</u>	<u>\$ 19,933</u>	<u>\$ 31,914</u>	<u>\$ 16,866</u>	<u>\$ 28,691</u>	<u>\$ -</u>	<u>\$ 19,751,250</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ (18,037,780)	\$ (65,986)	\$ (67,147)	\$ (68,638)	\$ (65,843)	\$ 82,182	\$ (18,223,212)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:							
Depreciation and amortization	976,405	13,739	16,475	14,879	16,119	-	1,037,617
Changes in operating assets, liabilities, and deferred outflows/inflows of resources:							
(Increase)/decrease in:							
Accounts receivable	(176,340)	-	-	-	-	-	(176,340)
Prepaid items	(20,749)	-	-	-	-	-	(20,749)
Net pension asset	(711,696)	-	-	-	-	-	(711,696)
Deferred outflows related to net pension asset	9,081	-	-	-	-	-	9,081
Deferred outflows related to net OPEB liability	(13,585)	-	-	-	-	-	(13,585)
Increase/(decrease) in:							
Accounts payable and accrued expenses	218,081	-	136	-	-	-	218,217
Security and escrow deposits	15,510	4	3	5	(189)	-	15,333
Compensated absences	134,325	-	-	-	-	-	134,325
Net OPEB liability	(36,076)	-	-	-	-	-	(36,076)
Deferred inflows related to net pension asset	367,047	-	-	-	-	-	367,047
Deferred inflows related to net OPEB liability	7,750	-	-	-	-	-	7,750
Cash flows provided by (used for) operating activities	<u>\$ (17,268,027)</u>	<u>\$ (52,243)</u>	<u>\$ (50,533)</u>	<u>\$ (53,754)</u>	<u>\$ (49,913)</u>	<u>\$ 82,182</u>	<u>\$ (17,392,288)</u>
Schedule of non-cash investing, capital, and financing activities							
Acquisition of asset through lease	\$ 517,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 517,335



**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
Piedmont Regional Community Services Board
dba Piedmont Community Services
Martinsville, 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 and the aggregate remaining fund information of Piedmont Regional Community Services Board dba Piedmont Community Services, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Piedmont Regional Community Services Board's basic financial statements and have issued our report thereon dated November 26, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Piedmont Regional Community Services Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Piedmont Regional Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Piedmont Regional Community Services Board'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 Piedmont Regional Community Services Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Robinson, Farmer, Cox, Associates

Blacksburg, Virginia
November 26, 2025



**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
Piedmont Regional Community Services Board
dba Piedmont Community Services
Martinsville, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Piedmont Regional Community Services Board's 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 Piedmont Regional Community Services Board's major federal programs for the year ended June 30, 2025. Piedmont Regional Community Services Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Piedmont Regional Community Services Board's basic financial statements include the operations of component unit organizations Scuffling Hill Housing, Inc.; Maynor Street Housing, Inc.; Pebble Creek Housing, Inc.; and West Church Street Housing Inc., which expended, in the aggregate, a total of \$1,840,029 in federal awards which is not included in Piedmont Community Services Board's schedule of expenditures of federal awards during the year ended June 30, 2025. Our audit, described below, did not include the operations of the above component units because each of the component units issues separate financial statements, and audits in compliance with the Uniform Guidance are performed at the component unit level, where applicable.

In our opinion, Piedmont Regional Community Services Board 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, 2025.

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

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

Blacksburg, Virginia
November 26, 2025

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

<u>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>Department of Agriculture:</u>			
Pass-through payments:			
Virginia Department of Agriculture:			
Child and Adult Care Food Program (CACFP)	10.558	Unknown	\$ 72,059
<u>Department of the Treasury:</u>			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	\$ 49,361
<u>Appalachian Regional Commission:</u>			
Direct payments:			
Appalachian Regional Research, Technical Assistance, and Demonstration Projects	23.011	Not Applicable	\$ 58,866
<u>Department of Justice:</u>			
Direct payments:			
Treatment Court Discretionary Grant Program	16.585	Not Applicable	\$ 166,354
Pass-through payments:			
Franklin County, Virginia:			
Treatment Court Discretionary Grant Program	16.585	Unknown	84,216
Total Department of Justice			\$ 250,570
<u>Department of Health and Human Services:</u>			
Direct payments:			
Drug-Free Communities Support Program Grants	93.276	Not Applicable	\$ 80,961
Rural Health Care Services Outreach, Rural Health Network	93.912	Not Applicable	156,396
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Substance Abuse and Mental Health Services -			
Projects of Regional and National Significance (Direct)	93.243	Not Applicable	\$ 155,672
Projects of Regional and National Significance (Pass-Through)	93.243	Unknown	238,188
Opioid STR	93.788	1H79TI085746-01/5H79TI085746-02	622,625
Block Grants for Community Mental Health Services (Direct) Award Year 2021	93.958	Not Applicable	\$ 117,024
Block Grants for Community Mental Health Services (Direct) Award Year 2024	93.958	Not Applicable	67,718
Block Grants for Community Mental Health Services (Pass-Through) Award Year 2021	93.958	1B09SM087349-01/1B09SM089614-01/1B09SM085349-01	21,043
Block Grants for Community Mental Health Services (Pass-Through) Award Year 2024	93.958	1B09SM087349-01/1B09SM089614-01/1B09SM085349-01	500,083
Block Grants for Prevention and Treatment of Substance Abuse Award Year 2023	93.959	1B08TI085838-01/1B08TI087070-01	\$ 35,000
Block Grants for Prevention and Treatment of Substance Abuse Award Year 2024	93.959	01/1B08TI087070-01	907,410
COVID 19 - Block Grants for Prevention and Treatment of Substance Abuse Award Year 2021	93.959	1B08TI083972-01	209,535
COVID 19 - Block Grants for Prevention and Treatment of Substance Abuse Award Year 2022	93.959	1B08TI083972-01	32,154
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	X10MC46898	\$ 107,088
COVID-19 - Maternal, Infant and Early Childhood Home Visiting Grant	93.870	6X11MC45271-01-04	18,240
Virginia Department of Health, Office of Family Health Services:			
National and State Tobacco Control Program (B)	93.387	Unknown	45,696
Virginia Department of Social Services:			
Temporary Assistance for Needy Families (TANF)	93.558	2401VATANF-00	222,187
Total Department of Health and Human Services			\$ 3,537,020
<u>Department of Education:</u>			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Special Education - Grants for Infants and Families	84.181	H181A240017	\$ 77,486
Total expenditures of federal awards			\$ 4,045,362

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025 (Continued)

Notes to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation:

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Piedmont Regional Community Services Board under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Piedmont Community Services, it is not intended to and does not present the financial position, changes in net position, or cash flows of Piedmont Regional Community Services Board.

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 - Indirect Cost Recovery:

The entity has elected not to use the 15% de minimis indirect cost rate allowed under Uniform Guidance.

Note E - Reconciliation of Expenditures of Federal Awards to Financial Statements:

Total federal revenue per financial statements	\$	3,649,079
Prior year carryover funds expended as of June 30, 2025		156,915
Prior year carryover ARPA funds returned as of June 30, 2025		239,368
Total expenditures of Federal Awards	\$	<u>4,045,362</u>

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

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

<u>Listing #</u>	<u>Name of Federal Program or Cluster</u>
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.

PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

There were no items reported for the year ended June 30, 2024.