Valley Community Services Board

Financial Report

June 30, 2024

BROWNEDWARDS
certified public accountants

Valley Community Services Board

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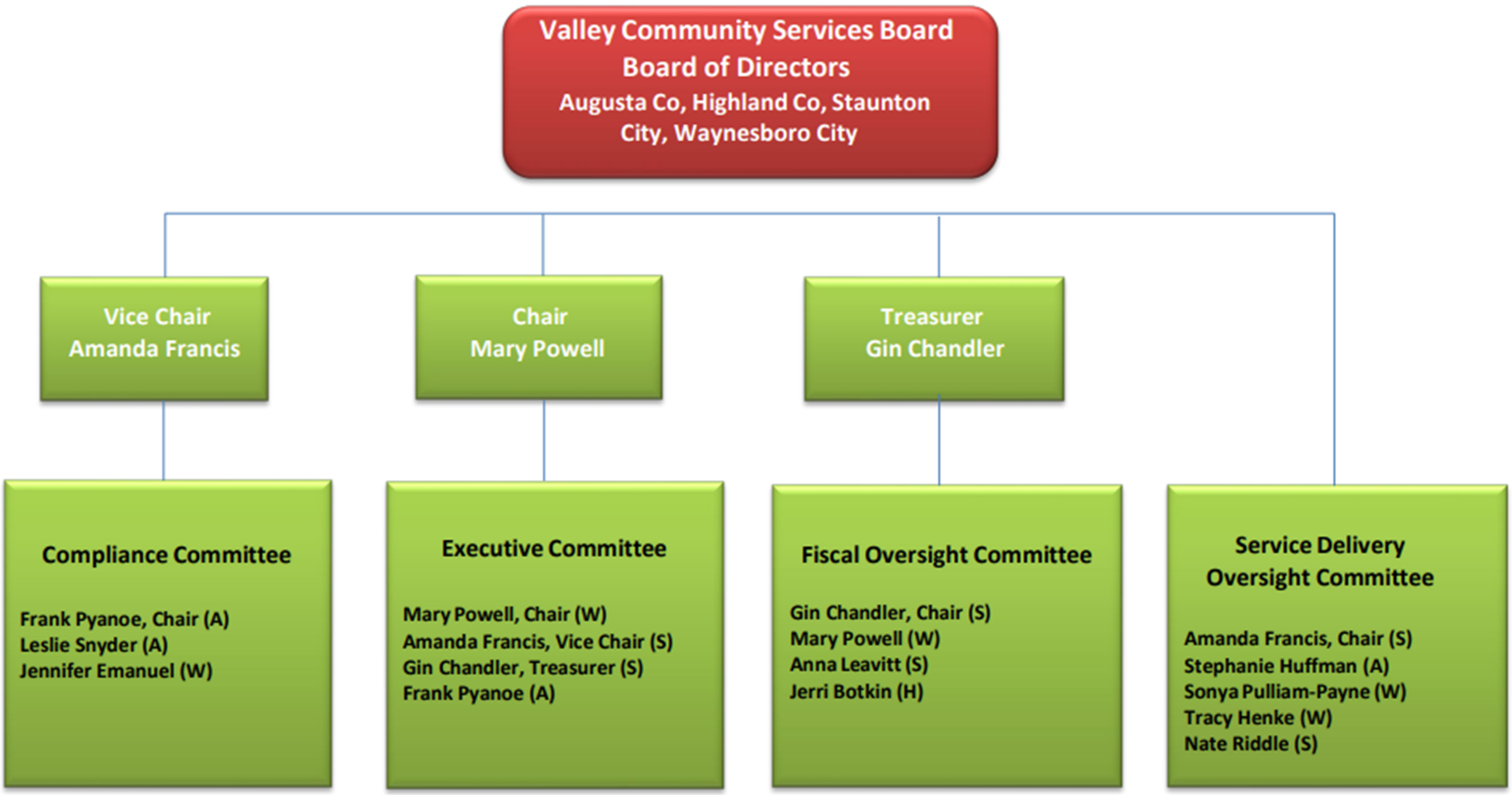

Valley Community Services Board

Organizational Information

The mission of the Valley Community Services Board (Valley CSB) is to provide community-based behavioral health, developmental disability, and substance use disorder services to the citizens of Augusta County, Highland County, Staunton, and Waynesboro. In order to carry out this mission, Valley CSB intends to be:

- A person-centered organization whose purpose is to provide support, encouragement, and superior care along with a continuum of services.
- A healing community whose practices express competency and compassion, and where there is access to services with a welcoming spirit.
- A resource for educating the public about the nature of mental illness, intellectual disabilities, and substance abuse to dispel stereotypes and to encourage support for those facing these challenges.
- An organization that actively seeks partnerships with other agencies and collaboration with diverse community groups.
- An agency whose staff is committed to quality, innovation, and continuing improvement through evaluation and assessment of programs and performance.
- A good steward of the resources, funds, people, and mission entrusted to its oversight.

Board of Directors

Mary Powell, Chair

Amanda Francis Vice-Chair

Gin Chandler, Treasurer

Sonya Pulliam-Payne
Jennifer Emanuel
Tracy Henke
Stephanie Huffman
Jerri Botkin

Lt. Leslie Snyder
Frank Pyanoe
Anna Leavitt
Nate Riddle

Executive Management

Kimberly McClanahan, Ph.D.	Executive Director
Dereck Criner	Director of Human Resources
John Sandy	Director of Finance
Dana Fitzgerald	Director of Quality & Compliance
Tammy Dubose	Director of Administrative Services
Jack Barber, M.D.	Medical Director
Kathy Kristiansen	Director of Behavioral Health
Tina Martina	Director of Development Services

Valley Community Services Board

Organizational Information

Facilities

• 85 Sanger's Lane, Staunton	Behavioral Health, Developmental Disabilities & Substance Abuse Services
• 61 First Street, Staunton	ID Day Program – Orchard Lane
• 32 Angus Drive, Waynesboro	DS/Intermediate Care Facility – Greenstone
• 1206 Red Top Orchard Road, Waynesboro	DS/Intermediate Care Facility – Grandview

Contact Information

You may contact Valley Community Services Board by:

Telephone:	(540) 887-3200
Toll Free:	(866) 274-7475
TDD:	(540) 416-0115
FAX:	(540) 887-3245
Mail:	85 Sanger's Lane Staunton, Virginia 24401

Financial Section

The Financial Section contains the Basic Financial Statements.

BROWNEDWARDS
certified public accountants

Independent Auditor's Report

To the Board of Directors
Valley Community Services Board
Staunton, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Valley Community Services Board (the "Board"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the 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 Board, as of June 30, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The accompanying 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain 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 schedule of expenditures of federal awards is 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 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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.

Report on Summarized Comparative Information

We have previously audited the Board's 2023 financial statements, and our report dated March 22, 2024, and expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented therein for the year ended June 30, 2023, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2024, on our consideration of the 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 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 the Board's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
October 24, 2024

Basic Financial Statements

Valley Community Services Board

Statement of Net Position
June 30, 2024

	2024	(For Comparative Purposes Only) 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	$ 19,112,391	$ 14,441,165
Restricted cash and cash equivalents (Note 2)	287,676	447,693
Accounts receivable, net (Note 3)	1,413,412	1,500,234
Due from other governments (Note 4)	306,257	424,346
Prepaid items	162,032	166,866
Total current assets	21,281,768	16,980,304
NONCURRENT ASSETS		
Capital assets (Note 5)		
Non-depreciable	1,877,787	439,171
Depreciable, net of depreciation and amortization	2,964,079	2,647,923
Total capital assets	4,841,866	3,087,094
Net pension asset (Note 8)	6,453,824	6,075,823
Total noncurrent assets	11,295,690	9,162,917
Total assets	32,577,458	26,143,221
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan (Note 8)	43,299	74,844
Other postemployment benefits (Note 9)	155,309	112,149
Total deferred outflows of resources	198,608	186,993
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	760,213	419,427
Accrued payroll and benefits	948,242	783,232
Amounts held for others, payable from restricted assets	208,836	368,853
Due to other governmental units (Note 4)	-	110,204
Unearned revenue (Note 6)	7,388,826	4,004,697
Notes payable, current portion (Note 7)	34,688	33,247
Lease liability, current portion (Note 7)	121,288	80,407
Compensated absences, current portion (Note 7)	761,717	666,417
Total current liabilities	10,223,810	6,466,484

Valley Community Services Board

Statement of Net Position
June 30, 2024

	2024	(For Comparative Purposes Only) 2023
LIABILITIES		
NONCURRENT LIABILITIES		
Notes payable, less current portion (Note 7)	$ 1,020,107	$ 1,054,666
Lease liability, less current portion (Note 7)	364,318	154,883
Compensated absences, less current portion (Note 7)	380,859	333,208
Other postemployment benefits (Note 9)	513,786	485,371
Total noncurrent liabilities	2,279,070	2,028,128
Total liabilities	12,502,880	8,494,612
DEFERRED INFLOWS OF RESOURCES		
Pension plan (Note 8)	785,468	1,574,646
Other postemployment benefits (Note 9)	173,356	233,629
Total deferred inflows of resources	958,824	1,808,275
NET POSITION		
Net investment in capital assets	3,301,465	1,763,891
Restricted for net pension asset	6,453,824	6,075,823
Unrestricted	9,559,073	8,187,613
Total net position	**$ 19,314,362**	**$ 16,027,327**

Exhibit 2

Valley Community Services Board

Statement of Revenues, Expenses, and Changes in Fund Net Position

Year Ended June 30, 2024

	2024	(For Comparative Purposes Only) 2023
OPERATING REVENUES		
Net client service revenue	$ 13,302,138	$ 13,654,003
Total operating revenues	13,302,138	13,654,003
OPERATING EXPENSES		
Salaries and wages	15,667,893	12,729,675
Fringe benefits	1,430,224	786,597
Contractual services	1,803,169	1,909,676
Depreciation and amortization	431,737	306,792
Other charges and supplies	5,066,714	5,172,863
Total operating expenses	24,399,737	20,905,603
Operating loss	(11,097,599)	(7,251,600)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental revenues:		
Commonwealth of Virginia	10,495,088	8,491,228
Federal government	2,728,397	3,116,188
Participating localities (Note 10)	693,581	591,441
Interest income	58,201	26,736
Miscellaneous income	414,670	361,895
Gain (loss) on disposal of property and equipment	64,129	(2,740)
Interest expense	(69,432)	(58,164)
Net nonoperating revenues	14,384,634	12,526,584
Change in net position	3,287,035	5,274,984
NET POSITION, beginning of year	16,027,327	10,752,343
NET POSITION, end of year	**$ 19,314,362**	**$ 16,027,327**

Exhibit 3

Valley Community Services Board

Statement of Cash Flows

Year Ended June 30, 2024

	2024	(For Comparative Purposes Only) 2023
OPERATING ACTIVITIES		
Receipts from customers	$ 16,422,911	$ 15,035,717
Payments to suppliers	(6,334,102)	(6,740,323)
Payments to and for employees	(18,000,808)	(14,468,862)
Net cash used in operating activities	(7,911,999)	(6,173,468)
NON-CAPITAL FINANCING ACTIVITIES		
Government grants	13,924,951	11,016,120
Other revenue	414,670	361,895
Net cash provided by non-capital financing activities	14,339,621	11,378,015
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,812,338)	(123,278)
Proceeds (loss) from the sale of assets	65,815	(2,742)
Principal payments on leases	(125,541)	(94,362)
Principal payments on long-term debt	(33,118)	(650,781)
Interest expense	(69,432)	(58,164)
Net cash used in capital and related financing activities	(1,974,614)	(929,327)
INVESTING ACTIVITIES		
Interest income	58,201	26,736
Net cash provided by investing activities	58,201	26,736
Net increase in cash and cash equivalents	4,511,209	4,301,956
CASH AND CASH EQUIVALENTS		
Beginning of year	14,888,858	10,586,902
End of year	**$ 19,400,067**	**$ 14,888,858**
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 19,112,391	$ 14,441,165
Restricted cash and cash equivalents	287,676	447,693
	$ 19,400,067	**$ 14,888,858**

Valley Community Services Board

Statement of Cash Flows
Year Ended June 30, 2024

	2024	(For Comparative Purposes Only) 2023
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (11,097,599)	$ (7,251,600)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	431,737	306,792
Pension expense net of employer contribution	(1,135,634)	(1,183,479)
Other postemployment benefit expense net of employer contribution	(75,018)	(86,692)
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	86,822	705,449
Prepaid items	4,834	(18,360)
Increase (decrease) in:		
Accounts payable	340,786	38,961
Accrued payroll and benefits	165,010	94,254
Compensated absences	142,951	223,327
Amounts held for others	(160,017)	32,162
Unearned revenue	3,384,129	965,718
Net cash used in operating activities	**$ (7,911,999)**	**$ (6,173,468)**
SCHEDULE OF NON-CASH ACTIVITIES		
Capital assets financed by lease liabilities	**$ 375,857**	**$ 181,072**

Note 1 – Summary of Significant Accounting Policies

Organization and Purpose

The Valley Community Services Board (the Board) operates as an agent for the counties of Augusta and Highland and the cities of Staunton and Waynesboro in the establishment and operation of treatment programs for community mental health disorders, developmental disabilities, and substance use disorders as provided for in Chapter 5 of Title 37.2 of the *Code of Virginia* (1950), relating to the Department of Behavioral Health and Developmental Services. In addition, the Board provides a system of community mental health and developmental disability and substance use services, which relate to and are integrated with existing and planned programs.

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and Guidance issued by the Department of Behavioral Health and Developmental Services. The Board's more significant accounting policies are described herein.

For financial reporting purposes, in conformance with GAAP, the Board includes all organizations for which it is considered financially accountable. Control by or dependence on the Board is determined on the basis of budget adoption, ownership of assets, or the Board's obligation to fund any deficits that may occur.

The Board is not considered a component unit of the localities it serves since none of these entities has oversight responsibility, or is legally obligated to fund any deficit of the Board.

The Board is a member of the Virginia Association of Community Services Boards, a nonprofit corporation, and the Behavioral Health and Developmental Services.

In accordance with 37.2-504 (subsection A.18) of the *Code of Virginia*, the Board acts as its own fiscal agent, as authorized to do so by the counties of Augusta and Highland and the cities of Staunton and Waynesboro.

Basic Financial Statements

Financial statement presentation: For entities like the Board that are engaged solely in business-type activities, the basic financial statements include:

1. *Statement of Net Position* – The Statement of Net Position is designed to display the financial position of the Board. The net position of the Board is broken down into three categories – (1) net investment in capital assets, (2) restricted, and (3) unrestricted.
2. *Statement of Revenues, Expenses, and Changes in Fund Net Position* – The Statement of Revenues, Expenses, and Changes in Fund Net Position is designed to display the financial activities of the Board for the period.
3. *Statement of Cash Flows* – The Statement of Cash Flows is prepared using the direct method and is designed to display the yearly transactions that impact cash and cash equivalents.
4. *Notes to Financial Statements*.

Measurement Focus and Basis of Accounting

The Board's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, wherein revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Changes in financial position are distinguished between operating revenues and expenses and nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Board's principal ongoing operations, nonoperating items include nonexchange revenues and interest income and expense.

Comparative Totals

Comparative amounts for the prior year are presented for information purposes only.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less from the date of acquisition.

Restricted Cash and Cash Equivalents

The Board restricts cash based on certain requirements under loan arrangements and funds held on behalf of other beneficiaries. Amounts restricted as of June 30, 2024 and 2023, are shown below.

	2024	2023
USDA Loan Reserves	$ 78,840	$ 78,840
Amounts held for others – Rep Payee Program	208,836	368,853
	$ 287,676	**$ 447,693**

Accounts Receivable and Allowance for Uncollectible Accounts

At June 30, 2024, the Board had accounts receivable for service fees due in the amount of $1,413,412 from Medicaid, third-party insurers, and direct clients, net of an allowance for doubtful accounts of $576,410 at June 30, 2024. The allowance was determined based on historical collections.

Inventory

The Board expenses all materials and supplies when purchased. Any items on hand at year-end are not material in amount and, therefore, are not shown in the financial statements.

Capital Assets

Capital assets are recorded at cost. Donated capital assets are recorded at their estimated acquisition value at the time of the gift.

Depreciation or amortization is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	39 years
Equipment	5 – 10 years
Vehicles	5 years
Software	3 years

Capital assets, which include property and equipment, are reported in the financial statements. Capital assets are defined by the Board as assets with an initial, individual cost or group purchase of more than $5,000, and an estimated useful life in excess of one year. There were no impaired assets at year-end.

Leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. In leases where a purchase option is reasonably certain of being exercised, the asset is amortized over the useful life, unless the underlying asset is non-depreciable, in which the leased asset is not amortized.

Compensated Absences

The Board's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service. Maximum annual leave accumulation hours are the hours allowable at the time of separation or at the end of any calendar year.

Employees terminating their employment are paid their accumulated annual leave up to the maximum limit. Unused sick leave is not paid at the date of separation.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. These items represent a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. These items represent an acquisition of net assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

The Board has the following items that qualify for reporting in this category:

- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net position or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow our outflow as appropriate.
- Differences between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportionate share that will be recognized in OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or a deferred inflow as appropriate.
- Changes in assumptions on OPEB investments are shown as a deferred outflow or inflow. This difference will be recognized in OPEB expense over the remaining service life of the employees subject to the play and may be reported as a deferred inflow or outflow as appropriate.

Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position in the financial statements is classified as restricted and unrestricted. Net position is recorded as restricted when there are limitations on its use imposed by creditors, grantors, contributors, or lows or regulations. Net investment in capital assets represents capital assets, less accumulated depreciation and amortization, less any outstanding debt related to the acquisition, construction or improvement of those assets.

Net Position Flow Assumption

Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) 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 Board's policy to consider restricted net position to have been depleted before unrestricted net position is applied. While it does not represent a legal restriction on net position, the Board has approved roughly $1,500,000 in projected costs related to a Crisis Response Center, which would not be utilized without assistance from state agencies.

Net Client Service Revenue

Net client service revenue is reported at the estimated net realizable amounts from clients, 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 Board 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 Board has established procedures for granting financial assistance in cases of hardship. The granting of financial assistance results in a substantial reduction and/or elimination of charges to individual patients. Because the Board does not pursue collection of amounts determined to qualify for financial assistance, they are not reported as revenue.

Operating and Nonoperating Revenues and Expenses

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

Pensions and Other Postemployment Benefits (OPEB)

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

Budget Process

It is the policy of the Board that the Board of Directors annually adopts an operating budget, which identifies anticipated revenues and expenditures. The Board's Finance Committee oversees the budget development process, which includes submitting budget requests to local governments and soliciting public comments on the proposed budget. The operating budget subsequently adopted by the Board of Directors serves as the basis for the Performance Contract with the Virginia Department of Behavioral Health and Developmental Services. Throughout the year, the Finance Committee may authorize budget revisions and make quarterly reports to the full Board.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 those estimates.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform with the current period presentation. These reclassifications have no impact on the overall financial statements as a whole.

Subsequent Events

Management has evaluated subsequent events through October 24, 2024, the date the financial statements were available to be issued.

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.

Investments

Statutes authorize the Board to invest in obligations of the United States or its 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 and certain corporate notes, bankers' acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The Board has investments in the LGIP. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The Board's investments in the LGIP, totaling $582,806, are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the LGIP is less than one year.

Custodial credit risk (deposits)

The Board's investment policy for credit risk is consistent with the investments allowed by statute as detailed above.

Interest rate risk

Interest rate risk is defined as the risk that changes of interest rates will adversely affect the fair value of an investment. The Board does not have a formal policy related to the interest rate risk. Interest rate risk does not apply to LGIP since it is an external investment pool classified in accordance with GASB Statement No. 79.

The Board categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Board has the following recurring fair value measurement as of June 30, 2024:

- Money market account of $5,528,069 is valued using quoted market prices (Level 1 inputs).

Concentration of credit risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. If certain investments in any one issuer represents 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2024, 100% of the Board's investments, excluding LGIP, were in money market funds.

Note 3 – Accounts Receivable

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	$ 1,257,871
Direct client	463,878
Third-party insurers	223,411
Other	44,662
Total	1,989,822
Allowance for uncollectible accounts	(576,410)
Total	**$ 1,413,412**

Note 4 – Due To/From Other Governmental Units

Amounts due from local, state, and federal governments totaled $306,257 at June 30, 2024, and consist of various local funding, cost adjustments, and reimbursable grant awards.

Valley Community Services Board

Notes to Financial Statements

June 30, 2024

Note 5 – Capital Assets

Capital assets activity for the year ended June 30, 2024, is summarized below:

	Beginning Balance	Increases	Deletions/ Reclassifications	Ending Balance
Capital assets not being depreciated or amortized				
Land	$ 439,171	$ -	$ -	$ 439,171
Construction in progress	-	1,438,616	-	1,438,616
Total capital assets not being depreciated or amortized	439,171	1,438,616	-	1,877,787
Capital assets being depreciated or amortized				
Building and improvements	4,650,925	90,508	-	4,741,433
Equipment	208,047	7,200	-	215,247
Vehicles	462,363	67,683	-	530,046
Software	1,278,583	208,331	-	1,486,914
Total capital assets being depreciated or amortized	6,599,918	373,722	-	6,973,640
Less: accumulated depreciation and amortization	4,180,339	293,839	-	4,474,178
Total capital assets being depreciated or amortized, net	2,419,579	79,883	-	2,499,462
Right-of-use-leased assets				
Equipment	69,727	43,192	39,847	73,072
Vehicles	415,066	332,665	154,984	592,747
Less: accumulated amortization	(256,449)	(137,898)	(193,145)	(201,202)
Total leased assets, net	228,344	237,959	1,686	464,617
Total capital assets, net	**$ 3,087,094**	**$ 1,756,458**	**$ 1,686**	**$ 4,841,866**

Depreciation and amortization expense amounted to $431,737 for the year ended June 30, 2024.

Note 6 – Unearned Revenue

Unearned revenue represents amounts for which asset recognition criteria have been met, but the revenue recognition criteria have not been met. At June 30, 2024, there was $7,388,826 in unearned revenue as a result of the receipt of grant funding that will be used in future periods.

Valley Community Services Board

Notes to Financial Statements

June 30, 2024

Note 7 – Long-Term Obligations

The following is a summary of long-term obligations transactions of the Board for the year ended June 30, 2024:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Rural development loan	$ 1,087,913	$ -	$ 33,118	$ 1,054,795
Lease liability	235,290	375,857	125,541	485,606
Compensated absences	999,625	1,346,385	1,203,434	1,142,576
Total	**$ 2,322,828**	**$ 1,722,242**	**$ 1,362,093**	**$ 2,682,977**

Detail of long-term obligations at June 30, 2024, follows:

	Total Amount	Amount Due Within One Year
$1,500,000 rural development loan dated April 26, 2004, maturing April 26, 2044, monthly payments of $6,570, interest at 4.25%, collateralized by a deed of trust of buildings and property at 85 Sanger's Lane, Staunton, Virginia.	$ 1,054,795	$ 34,688
Various lease liabilities	485,606	121,288
Compensated absences	1,142,576	761,717
Total long-term obligations	**$ 2,682,977**	**$ 917,693**

The Board's rural development loan and note payable contain a provision that in the event of default, the timing of repayment of outstanding amounts immediately becomes due, in the amount of proportionate net proceeds from sale of collateral.

Annual requirements to amortize notes payable and related interest are as follows:

Year(s) Ending June 30,	Rural Development Loan Principal	Rural Development Loan Interest	Lease Liabilities Principal	Lease Liabilities Interest
2025	$ 34,688	$ 44,152	$ 121,288	$ 24,560
2026	36,191	42,649	113,868	17,960
2027	37,759	41,081	110,608	11,423
2028	39,396	39,444	109,605	5,182
2029	41,103	37,737	30,237	484
2030-2034	233,829	160,371	-	-
2035-2039	289,084	105,116	-	-
2040-2044	342,745	36,840	-	-
	$ 1,054,795	**$ 507,390**	**$ 485,606**	**$ 59,609**

Valley Community Services Board

Notes to Financial Statements

June 30, 2024

The Board recognizes various leases for vehicles and office equipment leased under long-term contracts. A summary of recorded leases are below:

Lease Description	Term	Asset Class	Aggregate Payments	Balance
2023 Chevy Trailblazers (Qty: 5, 5.75%)	6/07/2023–6/30/2028	Vehicle	$2,793/month	$ 119,516
2019 Hyundai Sonatas (Qty: 2, 5.75%)	10/31/2019-10/31/2024	Vehicle	$726/month	2,870
2020 Chrysler Voyagers (Qty: 2, 5.75%)	11/30/2019-11/30/2024	Vehicle	$945/month	4,658
2020 Hyundai Santa Fe (Qty: 2, 5.75%)	1/31/2020-1/31/2025	Vehicle	$772/month	5,301
2023 Nissan Altima (Qty: 2, 5.75%)	8/3/2023-8/3/2028	Vehicle	$632month	56,051
2023 Hyundai Santa Fe (Qty: 2, 5.75%)	8/7/2023-8/31/2028	Vehicle	$1,155month	51,251
2023 Hyundai Santa Fe (Qty: 2, 5.75%)	10/30/2023-10/31/2028	Vehicle	$1,276/month	58,604
2024 Nissan Altima (Qty: 6, 5.75%)	1/8/2024-1/31/2029	Vehicle	$2698/month	130,190
Bizhubs C405I, 450i9, and C450i (Qty: various equipment, 5.75%)	3/10/2023–3/10/2027	Equipment	$611/month	15,481
Bizhub 360i (Qty: 1, 5.75%)	1/26/2023 – 1/25/2027	Equipment	$185/month	5,171
Postage Meter (Qty: 1, 5.75%)	9/30/2023-9/30/2028	Equipment	$153/month	6,800
Canon Scanner (Qty: 1, 5.75%)	1/18/2024-1/18/2029	Equipment	$226/month	10,925
Bizhub Copiers (Qty: 3, 5.75%)	10/10/2023-9/11/2026	Equipment	$398/month	9,929
Main Bizhub Copier (Qty: 1, 5.75%)	2/28/2024-2/8/2027	Equipment	$308/month	8,859
				$ 485,606

Note 8 – Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Valley Community Services Board, (the "Board") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer cost-sharing is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- https://www.varetire.org/members/benefits/defined-benefit/plan1.asp,
- https://www.varetire.org/members/benefits/defined-benefit/plan2.asp,
- https://www.varetirement.org/hybrid.html.

Employees Covered by Benefit Terms

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

	Number
Inactive members of their beneficiaries currently receiving benefits	181
Inactive members:	
Vested inactive members	110
Non-vested inactive members	203
Inactive members active elsewhere in the VRS	182
Total inactive members	495
Active members	180
Total covered employees	**856**

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 Political Subdivision's contractually required contribution rate for the year ended June 30, 2024, was 1.36% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Political Subdivision were $43,299 and $49,543 for the years ended June 30, 2024 and June 30, 2023, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) 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 Political Subdivisions, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions

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

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

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table with various set backs or set forwards for both males and females.

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

> General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates to better fit experience; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

* The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

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

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) – (b)**
Balances at June 30, 2022	$ 33,866,167	$ 39,941,990	$ (6,075,823)
Changes for the year			
Service cost	790,509	-	790,509
Interest	2,285,796	-	2,285,796
Differences between expected and actual experience	(410,990)	-	(410,990)
Contributions – employer	-	49,543	(49,543)
Contributions - employees	-	463,184	(463,184)
Net investment income	-	2,555,398	(2,555,398)
Benefit payments, including refunds of employee contributions	(1,586,070)	(1,586,070)	-
Administrative expenses	-	(25,834)	25,834
Other changes	-	1,025	(1,025)
Net changes	1,079,245	1,457,246	(378,001)
Balances at June 30, 2023	**$ 34,945,412**	**$ 41,399,236**	**$ (6,453,824)**

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

The following presents the net pension asset of the Political Subdivision using the discount rate of 6.75%, as well as what the Political Subdivision’s net pension 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:

	1.00% Decrease (5.75%)	**Current Discount Rate (6.75%)**	**1.00% Increase (7.75%)**
Political Subdivision’s net pension liability (asset)	**$ (1,156,805)**	**$ (6,453,824)**	**$ (10,501,929)**

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

For the year ended June 30, 2024, the Political Subdivision recognized pension income of $1,117,636. At June 30, 2024, the Political Subdivision 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	$ -	$ 140,602
Net difference between projected and actual earnings on pension plan investments	-	644,866
Employer contributions subsequent to the measurement date	43,299	-
Total	**$ 43,299**	**$ 785,468**

The $43,299 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2025	$ (602,385)
2026	(777,642)
2027	573,836
2028	20,723
2029	-
Thereafter	-

Pension Plan Data

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

Note 9 – Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Board also participates in a cost-sharing and other postemployment benefit plan, described as follows.

Plan Description

Group Life Insurance Program

All full-time employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

Specific information for the GLI is available at https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple-employer, cost-sharing plan.

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2024 Contribution	$64,921
June 30, 2023 Contribution	$54,503

In June 2023, the Commonwealth made a special contribution of approximately $10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session. Our proportionate share is reflected in Note 9 of our financial statements.

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

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the net OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2024 proportionate share of liability	$513,786
June 30, 2023 proportion	0.04284%
June 30, 2022 proportion	0.04031%
June 30, 2024 (income)/expense	$(5,757)

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 51,315	$ 15,596
Change in assumptions	10,982	35,597
Net difference between projected and actual earnings on OPEB plan investments	-	20,647
Changes in proportion	28,091	101,516
Employer contributions subsequent to the measurement date	64,921	-
Total	**$ 155,309**	**$ 173,356**

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

Group Life Insurance Program

Year Ended June 30,	Effect on OPEB Expense
2025	$ (31,519)
2026	(49,441)
2027	(16,831)
2028	4,482
2029	10,341
Thereafter	-

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2022, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.24 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI: 6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 8.

Net OPEB Liabilities

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

	Group Life Insurance Program
Total OPEB liability	$ 3,907,052
Plan fiduciary net position	2,707,739
Employers' net OPEB liability (asset)	1,199,313
Plan fiduciary net position as a percentage of total OPEB liability	69.30%

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

Long-Term Expected Rate of Return

Group Life Insurance

The long-term expected rate of return on VRS 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 OPEB 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

* The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including inflation of 2.50%.

Discount Rate

The discount rate used to measure the GLI OPEB 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 Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the employer for the OPEB liabilities 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 for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2023 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	$ 761,591	$ 513,786	$ 313,434

OPEB Plan Fiduciary Net Position

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

Note 10 – Participating Localities' Contributions

Contributions from localities for the year ended June 30, 2024, were as follows:

County of Augusta	$ 236,500
County of Highland	8,859
City of Staunton	247,129
City of Waynesboro	201,093
	$ 693,581

Note 11 – Risk Management

Liability Insurance

The Board is a member of the VACo for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each member of these risk pools jointly and severally agrees to assume, pay, and discharge any liability. The Board pays contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Board and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Board may assess all members in the proportion, which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Board continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage for each of the past three fiscal years.

Note 12 – Deferred Compensation Plan

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation plan benefits are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is administered by CitiStreet.

Note 13 – Contingencies

Federal and State-Assisted Programs

The Board has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any future required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

In 2018, VCSB partnered with the Department of Housing and Community Development to have a 3rd party build housing for persons with serious mental issues. There is a $250,000 penalty if the property is not maintained in this manner for 20 years. VCSB recorded a $250,000 mortgage receivable in 2020, which is offset with a $250,000 allowance. Each year, 1/20 of the balance for both accounts is written down. The balance on the mortgage receivable and allowance as of June 30, 2024, is $150,000.

Note 14 – New Accounting Standards

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

In December 2023, the GASB issued **Statement No**. 102, *Certain Risk Disclosures*. This statement defines and requires governments to disclose the risks related to concentrations of inflows or outflows of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.

In April 2024, the GASB issued **Statement No. 103**, *Financial Reporting Model Improvements*. This statement 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, as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

Required Supplementary Information

Valley Community Services Board

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2024

	Fiscal Year June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	$ 790,509	$ 685,635	$ 717,578	$ 974,544	$ 871,081	$ 876,687	$ 972,724	$ 988,866	$ 998,145	$ 1,043,507
Interest	2,285,796	2,261,471	2,091,962	1,963,990	1,866,485	1,790,977	1,748,785	1,674,708	1,589,609	1,476,016
Changes in assumptions	-	-	1,305,099	-	925,151	-	(289,886)	-	-	-
Difference between expected and actual experience	(410,990)	(1,120,420)	(735,637)	414,713	100,590	(415,946)	(764,266)	(563,294)	(386,702)	-
Benefit payments, including refunds of employee contributions	(1,586,070)	(1,556,311)	(1,550,473)	(1,364,275)	(1,298,173)	(1,047,889)	(1,081,356)	(1,002,695)	(968,032)	(825,486)
Net change in total pension liability	1,079,245	270,375	1,828,529	1,988,972	2,465,134	1,203,829	586,001	1,097,585	1,233,020	1,694,037
Total pension liability – beginning	33,866,167	33,595,792	31,767,263	29,778,291	27,313,157	26,109,328	25,523,327	24,425,742	23,192,722	21,498,685
Total pension liability – ending	34,945,412	33,866,167	33,595,792	31,767,263	29,778,291	27,313,157	26,109,328	25,523,327	24,425,742	23,192,722
Plan Fiduciary Net Position										
Contributions – employer	49,543	198,349	182,393	157,730	160,734	354,005	359,948	533,013	520,327	716,594
Contributions – employee	463,184	397,819	388,509	494,611	488,291	491,370	519,536	490,446	474,302	483,856
Net investment income	2,555,398	(33,933)	8,951,789	631,113	2,099,893	2,201,403	3,259,525	466,852	1,156,321	3,405,789
Benefit payments, including refunds of employee contributions	(1,586,070)	(1,556,311)	(1,550,473)	(1,364,275)	(1,298,173)	(1,047,889)	(1,081,356)	(1,002,695)	(968,032)	(825,486)
Administrative expenses	(25,834)	(25,637)	(22,622)	(21,737)	(20,960)	(18,819)	(18,667)	(16,165)	(15,567)	(17,823)
Other	1,025	939	841	(1,760)	(1,322)	(1,967)	(2,903)	(195)	(247)	179
Net change in plan fiduciary net position	1,457,246	(1,018,774)	7,950,437	(104,318)	1,428,463	1,978,103	3,036,083	471,256	1,167,104	3,763,109
Plan fiduciary net position – beginning	39,941,990	40,960,764	33,010,327	33,114,645	31,686,182	29,708,079	26,671,996	26,200,740	25,033,636	21,270,527
Plan fiduciary net position – ending	41,399,236	39,941,990	40,960,764	33,010,327	33,114,645	31,686,182	29,708,079	26,671,996	26,200,740	25,033,636
Net pension asset – ending	**$ (6,453,824)**	**$ (6,075,823)**	**$ (7,364,972)**	**$ (1,243,064)**	**$ (3,336,354)**	**$ (4,373,025)**	**$ (3,598,751)**	**$ (1,148,669)**	**$ (1,774,998)**	**$ (1,840,914)**
Plan fiduciary net position as a percentage of total pension liability	**118.47%**	**117.94%**	**121.92%**	**103.91%**	**111.20%**	**116.01%**	**113.78%**	**104.50%**	**107.27%**	**107.94%**
Covered employee payroll	**$ 10,079,992**	**$ 9,467,354**	**$ 8,547,983**	**$ 10,833,247**	**$ 10,600,684**	**$ 9,100,360**	**$ 9,253,162**	**$ 9,621,173**	**$ 9,392,184**	**$ 9,598,646**
Net pension asset as a percentage of covered employee payroll	**64.03%**	**64.18%**	**86.16%**	**11.47%**	**31.47%**	**48.05%**	**38.89%**	**11.94%**	**18.90%**	**19.18%**

Note to Schedule:

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

Valley Community Services Board

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Required Supplementary Information
Schedule of Pension Contributions
June 30, 2024

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	$ 43,299	$ 43,299	$ -	$ 12,004,390	0.36%
2023	49,543	49,543	-	10,079,992	0.49%
2022	198,995	198,995	-	9,467,354	2.10%
2021	196,475	196,475	-	8,547,983	2.30%
2020	157,730	157,730	-	10,833,247	1.46%
2019	160,734	160,734	-	10,600,684	1.52%
2018	354,005	354,005	-	9,100,360	3.89%
2017	359,948	359,948	-	9,253,162	3.89%
2016	533,013	533,013	-	9,621,173	5.54%
2015	520,327	520,327	-	9,392,184	5.54%

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

Valley Community Services Board

Required Supplementary Information
Schedule of Employer's Share of Net OPEB Liability
June 30, 2024

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.04284%	$ 513,786	$ 10,091,953	5.09%	69.30%
2022	0.04031%	485,371	9,105,417	5.33%	67.21%
2021	0.04124%	480,145	8,559,368	5.61%	67.45%
2020	0.05272%	879,810	10,872,406	8.09%	52.64%
2019	0.05418%	881,653	10,621,255	8.30%	52.00%
2018	0.05399%	820,000	10,265,209	7.99%	51.22%
2017	0.05421%	816,000	9,999,278	8.16%	48.86%

This schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The plan years above are reported in the fiscal year following the plan year -i.e. plan year 2017 information was presented in the entity's fiscal year 2018 report.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

Valley Community Services Board

Required Supplementary Information
Schedule of OPEB Contributions
June 30, 2024

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	$ 64,921	$ 64,921	$ -	$ 12,022,634	0.54%
2023	54,503	54,503	-	10,091,953	0.54%
2022	47,416	47,416	-	9,105,417	0.52%
2021	45,981	45,981	-	8,559,368	0.54%
2020	56,852	56,852	-	10,872,406	0.52%
2019	55,231	55,231	-	10,621,255	0.52%
2018	53,790	53,790	-	10,265,209	0.52%
2017	51,996	51,996	-	9,999,278	0.52%

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

This schedule is intended to show information for 10 years. Since 2017 was the first fiscal year for this presentation, no earlier data is available. However, additional years will be included as they become available.

Note 1 – Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Post-Employment Benefits (OPEB)

There have been no actuarially material changes to the system benefit provisions since the prior actuarial valuation.

Note 2 – Changes of Assumptions

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

Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Compliance Section

BROWN EDWARDS
certified public accountants

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

To the Honorable Members of the Board of Directors
Valley Community Services Board
Staunton, Virginia

We have audited, 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, the financial statements of Valley Community Services Board (the "Board"), as of and for the year ended June 30 , 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 24, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 have not been identified.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of 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 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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
October 24, 2024

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Honorable Members of the Board of Directors
Valley Community Services Board
Staunton, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited Valley Community Service Board's (the "Board") 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 the Board's major federal programs for the year ended June 30, 2024. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Valley Community Services Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related 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 documentation of the 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 the Valley Community Service Board's federal programs.

Auditor's 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 the 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 judgement made by a reasonable user of the report on compliance about the Board's compliance 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 risk 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 the Valley 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 the Valley 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 the Valley 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
October 24, 2024

Valley Community Services Board

Summary of Compliance Matters

June 30, 2024

As more fully described in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards,* we performed tests of the Board’s compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia:

- Budget and Appropriation Laws
- Cash and Investment Laws
- Conflicts of Interest Act
- Local Retirement Systems
- Debt Provisions
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act

Federal Compliance Matters

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

Valley Community Services Board

Schedule of Findings and Questioned Costs

June 30, 2024

A – Summary of Auditor's Results

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies and no material weaknesses** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies and no material weaknesses** relating to the audit of the major federal award program was reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major programs**.
7. The programs tested as major were:

Name of Program	Assistance Listing Number
State Targeted Response to the Opioid Crisis Grants	93.788
Block Grants for Substance Use, Prevention, Treatment, and Recovery Services	93.959

8. The threshold for distinguishing Type A and B programs was **$750,000**.
9. The Board was **not** determined to be a **low-risk auditee**.

B – Findings – Financial Statement Audit

None.

C – Findings and Questioned Costs – Major Federal Award Program Audit

None.

D – Findings – Commonwealth of Virginia

None.

Valley Community Services Board

Summary Schedule of Prior Audit Findings

June 30, 2024

A – Findings – Financial Statement Audit

2023-001: Audit Adjustments (Material Weakness)

Condition

We detected material misstatements in the trial balance. Generally accepted auditing standards dictate that detection of errors in an audit is a strong indicator of a significant deficiency or material weakness. Accordingly, we are required to communicate this finding as such.

Recommendation

Ensure that all transactions are appropriately reviewed, approved, and considered with respect to GAAP and other applicable financial reporting requirements.

Current Status

By fiscal year end monthly reviews were conducted, and no material audit adjustments were necessary. Comment no longer applicable.

2023-002: Financial Reporting (Significant Deficiency)

Condition

Certain correcting journal entries were required and posted for periods in which the fiscal period had already been closed and communicated internally to the governing body. Consequently, the governing body and financial decisions may be made without respect to correctly reported balances or accurate financial information.

Recommendation

We recommend continuing the process of open communication with management about potential inaccurately reported information as well as continuing to review month and year-end closing processes for gained efficiencies in reporting.

Current Status

The Board has made modifications to its month-end closing process to further support accurate reporting. Comment is no longer applicable.

Valley Community Services Board

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Behavioral Health and Developmental Services:			
Projects for Assistance in Transition from Homelessness	93.150	509990090/511000090	$ 24,974
State Targeted Response to the Opioid Crisis Grants	93.788	530230090/530330090	1,069,719
Block Grants for Community Mental Health Services	93.958	522000090	217,234
Block Grants for Substance Use, Prevention, Treatment, and Recovery Services	93.959	50250000090/502700000/ 502700090	799,634
Total Department of Health and Human Services			2,111,561
Department of the Treasury:			
Pass Through Payments:			
Virginia Department of Housing and Community Development			
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	352,628
Total Department of the Treasury			352,628
Department of Housing and Urban Development:			
Direct Payments:			
Continuum of Care Program	14.267	VA0387L3F211900/VA038 8L3F211901	197,276
Total Department of Housing and Urban Development			197,276
Department of Education:			
Pass Through Payments:			
Office of Special Education and Rehavilitative Services:			
Special Education-Grants for Infants and Families	84.181	N/A	66,932
Total Department of Education			66,932
Total Expenditures of Federal Awards			**$ 2,728,397**

NOTE 1 - BASIS OF PRESENTATION:

This schedule is presented on the accrual basis of accounting.

NOTE 2 - DE MINIMIS INDIRECT COST RATE:

The Board elected has not elected to use the 10% de minimis indirect cost rate.

NOTE 3 - Outstanding Loan Balances:

At June 30, 2024, the Board had no outstanding loan balances requiring continuing disclosure.