



SOUTHSIDE BEHAVIORAL HEALTH

FINANCIAL REPORT

June 30, 2025

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**SOUTHSIDE BEHAVIORAL HEALTH
DIRECTORY OF PRINCIPAL OFFICIALS**

JUNE 30, 2025

BOARD OF DIRECTORS

Debra Knox – Chair

Stuart Comer – Vice-Chair

Joan Bowers – Secretary

Vacant – Treasurer

Angela Hupp

Mary Jane Collie

Tammy Mull

Carlton Walker

Sarah Knight-Underdue

Mandi Calhoun

PRINCIPAL MANAGEMENT TEAM

Heather Petrus

Executive Director

Galyna Hightower

Director of Financial Services

Kameelah Singleton

Director of Human Resources

Nicole Lewis

Director of Quality & Compliance

Paul Mandel

Director of Intellectual & Developmental Disabilities

Kenan Tyner-Smith

Director of Prevention & Community Connection

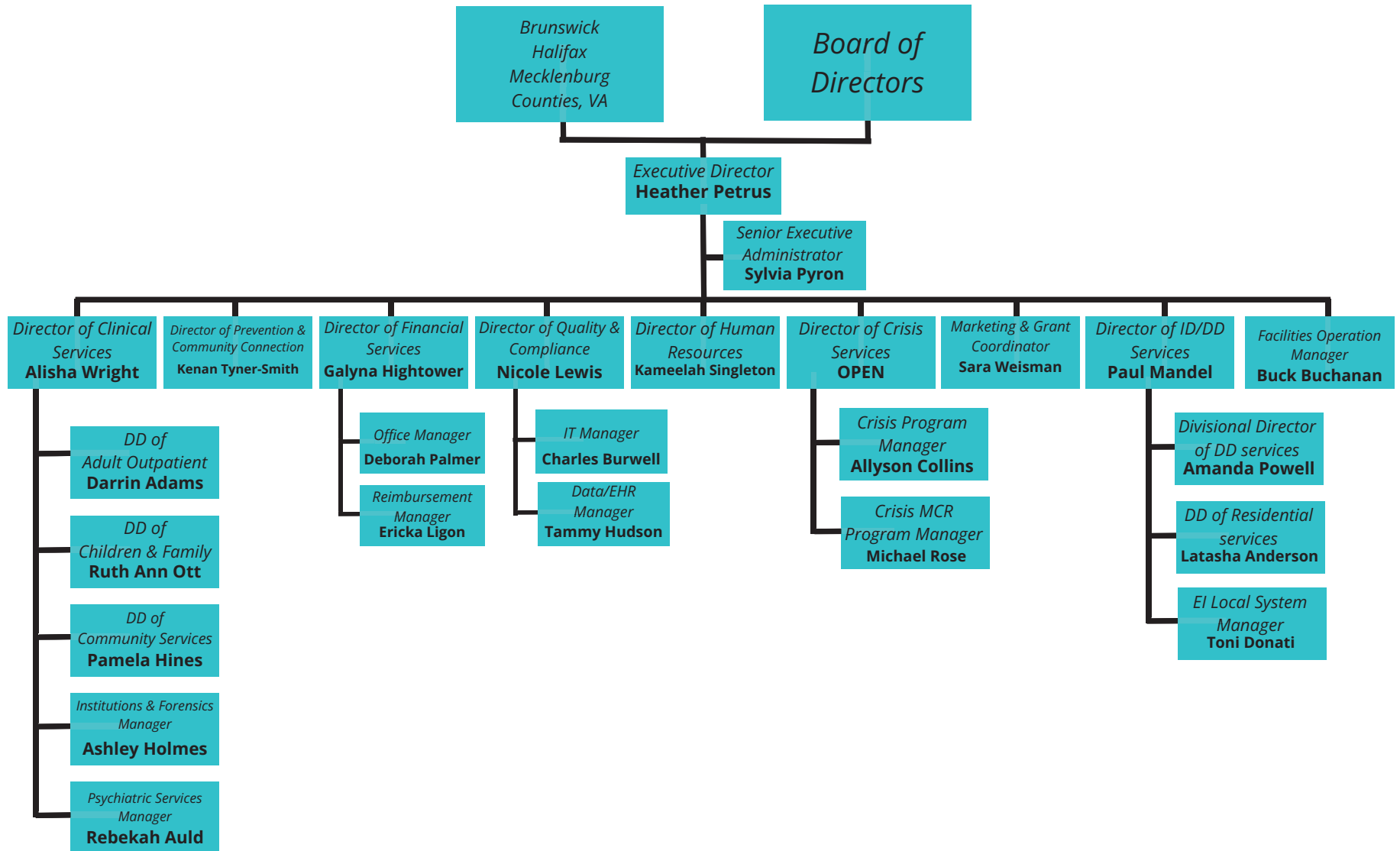
Darrin Adams

Director of Adult Clinical Services

Ruth Ann Ott

Director of Children & Family Services

SOUTHSIDE BEHAVIORAL HEALTH - 6/30/2025





Independent Auditors' Report

**To the Board of Directors
Southside Behavioral Health
Clarksville, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Southside Behavioral Health, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Southside Behavioral Health's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Southside Behavioral Health, as of June 30, 2025, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southside Behavioral Health, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Southside Behavioral Health's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southside Behavioral Health's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited Southside Behavioral Health’s financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2025, on our consideration of Southside Behavioral Health’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southside Behavioral Health’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southside Behavioral Health’s internal control over financial reporting and compliance.

Robinson, Farnum, Cox Associates

Charlottesville, Virginia
December 5, 2025

SOUTHSIDE BEHAVIORAL HEALTH

Management's Discussion and Analysis Year Ended June 30, 2025

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

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

An essential part of the overall management responsibility is the issuance of an annual Financial Audit conducted by an independent, certified public accounting firm. This document summarizes the financial operations conducted during the course of State Fiscal Year which ended June 30, 2025.

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

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

Beginning with 2019 fiscal year, all operating community service boards and behavioral health authorities (CSBs) governed by the Virginia Department of Behavioral Health and Developmental Services (DBHDS) performance contract, are required to maintain a reserve sufficient to cover two months of personnel and operating expenses for the CSB. On June 30, 2025, SBH's calculated reserve included approximately three and a half months of personnel and operating expenses.

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

Funding Analysis – Fiscal Year 2025

Throughout Fiscal Year 2025, Southside Behavioral Health utilized available funding to support programs and service developments. Funding allocations during the year reflected various efforts and priorities, as outlined below.

Behavioral Health

Investments in information technologies enhanced efficiency in documentation and workflow, allowing clinical staff to dedicate more time to direct client care. Outpatient staff implemented collaborative documentation with clients, increasing engagement and accuracy in treatment planning. The Same Day Access program is responsible for client entry into services and continues to improve the effectiveness of this process.

Within Child and Family Services, funding supported the launch of a Grandparent Support Group and the continuation of free parenting classes. Staff training remained a priority, with a focus on evidence-based models such as High Fidelity Wraparound Services and Parent-Child Interaction Therapy. The agency also advanced its adolescent substance use services through the Seven Challenges program and developed a podcast highlighting its impact on youth recovery.

Children's Services continues to partner with community resources, including local schools, law enforcement, social services, and court systems, to strengthen coordination and access to care.

Funding Analysis – Fiscal Year 2025 (Continued)

Substance Use Disorder

Funding supported the continued capacity building of the Southside Wellness Coalition to provide training and education to the community. Peer Support Specialists participated in the RESET program at Meherrin River Regional Jail, furthering outreach and recovery efforts. The agency continued to provide Recovery Court services and expanded access to Office-Based Addiction Treatment (OBAT) for opioid and other substance use disorders. Southside Behavioral Health is currently applying for preferred OBAT status to strengthen its continuum of care.

Developmental Disabilities

Funding supported ongoing efforts to strengthen the workforce for case management, day support, and residential programs. Programming for day support and community engagement was enhanced to promote inclusion and strengthen community-based services. The number of individuals receiving Early Intervention services continued to grow, supported by ongoing staff training to ensure compliance with Department of Medical Assistance Services (DMAS) and Department of Behavioral Health and Developmental Services (DBHDS) regulations.

Community integration opportunities also expanded for individuals participating in day support and residential programs, promoting greater independence and inclusion in community life.

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

	<u>2025</u>	<u>2024</u>	2025 (Decrease) Increase to 2024%
Mental Health	\$ 11,828,379	\$ 10,462,575	11.95 %
Developmental Disabilities	5,111,399	6,096,256	(16.16)
Substance Use Disorder	<u>2,290,320</u>	<u>1,864,642</u>	<u>22.83</u>
Annual Totals	<u>\$ 19,230,098</u>	<u>\$ 18,423,473</u>	<u>3.75 %</u>

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

Financial Analysis

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

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

Net position is an excellent barometer of SBH's current financial position. The following condensed summary of SBH's statement of net position and operations for the years ended June 30, 2025, and June 30, 2024, lists net position at \$14,879,878 and \$13,994,059 with respective changes in net position of \$885,819 and \$2,165,535.

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

Financial Summary

Financial Position: A summary of the Board's Statement of Net Position as of June 30, 2025 and June 30, 2024 is presented below:

Condensed Combined Statement of Net Position

	<u>2025</u>	<u>2024</u>
Assets		
Current assets	\$ 10,724,393	\$ 10,975,545
Current restricted	88,288	124,178
Capital assets (net of accumulated depreciation)	7,871,624	7,815,843
Net pension asset	3,055,049	2,819,780
Net OPEB asset	36,849	15,304
Total assets	<u>\$ 21,776,203</u>	<u>\$ 21,750,650</u>
Deferred Outflows of Resources		
Pension related items	\$ 639,400	\$ 323,389
OPEB related items	129,853	119,794
Total deferred outflows of resources	<u>\$ 769,253</u>	<u>\$ 443,183</u>
Liabilities		
Current liabilities	\$ 5,441,426	\$ 5,788,632
Restricted	6,871	16,270
Lease liabilities - net of current portion	211,343	8,794
Subscription liabilities - net of current portion	552,164	693,654
Net OPEB liability	386,890	405,008
Total liabilities	<u>\$ 6,598,694</u>	<u>\$ 6,912,358</u>
Deferred Inflows of Resources		
Pension related items	\$ 944,306	\$ 1,155,373
OPEB related items	122,578	132,043
Total deferred inflows of resources	<u>\$ 1,066,884</u>	<u>\$ 1,287,416</u>
Net Position		
Net investment in capital assets	\$ 6,832,956	\$ 6,915,013
Restricted	5,083,087	4,808,224
Unrestricted	2,963,835	2,270,822
Total net position	<u>\$ 14,879,878</u>	<u>\$ 13,994,059</u>

Summary of Operations and Changes in Net Position

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

	<u>2025</u>	<u>2024</u>
Operating revenues	\$ 8,659,027	\$ 9,348,350
Operating expenses	<u>19,284,440</u>	<u>16,946,189</u>
Operating income (loss)	\$ (10,625,413)	\$ (7,597,839)
Total nonoperating revenues	<u>11,511,232</u>	<u>9,763,374</u>
Change in net position	<u>\$ 885,819</u>	<u>\$ 2,165,535</u>

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

Operating Revenue is the amount of revenue received from providing services to the individuals. The vast majority of that revenue, approximately 97.66% in 2025 fiscal year, was received from Medicaid (see Note 10). The gradual migration to Medicaid revenues will no longer allow management to provide services based only on state or federal program funding. Overall, Operating Revenue decreased approximately 7.37% mainly due to a decrease in services provided.

Operating Expenses are the sum of direct and indirect costs of operating SBH. These include salaries and benefits, occupancy, payments to contracting entities, depreciation, etc. See the full Statement of Revenues, Expenses, and Changes in Fund Net Position for a complete breakdown of these expenditures for 2025 and 2024 fiscal years. During 2025 fiscal year, Operating Expenses increased approximately by 13.80%. The increase is primarily attributed to hiring of workforce which led to an increase in personnel and other operating expenses.

Analysis of Cash Flows

There was a net decrease of \$339,690 in cash and cash equivalents for the year ended June 30, 2025, compared to a net increase of \$883,479 for the year ended June 30, 2024. This decrease is mainly attributed to an increase in payments to and for employees and a decrease in receipts from clients, private insurers, Medicaid, and others. During 2025 fiscal year, the contributions from state, federal, and local governments increased by 18.52%.

During 2025 fiscal year, interest earned on investments increased when compared to fiscal year 2024. SBH continued to invest in the same sources in 2025 as in 2024. Earnings from these investments were \$333,213 in 2025 and \$311,645 in 2024.

Condensed Combined Statement of Cash Flows

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities	\$ (10,514,250)	\$ (7,779,065)
Cash flows from noncapital financing activities	10,587,463	9,361,578
Cash flows from capital and related financing activities	(746,116)	(1,010,679)
Cash flows from investing activities	<u>333,213</u>	<u>311,645</u>
Net cash increase (decrease)	<u>\$ (339,690)</u>	<u>\$ 883,479</u>

Capital Assets

SBH's net capital assets increased by \$55,781 in 2025 from 2024 and increased by \$1,047,580 in 2024 from 2023.

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

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

Requests for Information

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

Basic Financial Statements

SOUTHSIDE BEHAVIORAL HEALTH

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

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 9,126,934	\$ 9,430,734
Accounts receivable, net (Note 3)	1,036,016	1,018,924
Other receivables	458,606	299,960
Prepaid expenses and other	102,837	225,927
Cash and cash equivalents, restricted (Note 2)	88,288	124,178
Total current assets	<u>\$ 10,812,681</u>	<u>\$ 11,099,723</u>
Noncurrent Assets:		
Capital assets, net (Note 4)	<u>\$ 7,871,624</u>	<u>\$ 7,815,843</u>
Other Assets:		
Net pension asset (Note 6)	\$ 3,055,049	\$ 2,819,780
Net OPEB asset (Note 8)	36,849	15,304
Total other assets	<u>\$ 3,091,898</u>	<u>\$ 2,835,084</u>
Total noncurrent assets	<u>\$ 10,963,522</u>	<u>\$ 10,650,927</u>
Total assets	<u>\$ 21,776,203</u>	<u>\$ 21,750,650</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items (Note 6)	\$ 639,400	\$ 323,389
OPEB related items (Note 8)	129,853	119,794
Total deferred outflows of resources	<u>\$ 769,253</u>	<u>\$ 443,183</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 421,783	\$ 372,213
Accrued payroll and related liabilities	520,445	483,765
Other liabilities	8,574	9,604
Unearned revenue	3,789,776	4,265,243
Amounts held for clients, payable from restricted assets	6,871	16,270
Compensated absences	425,687	459,425
Lease liabilities - current portion	64,935	6,205
Subscription liabilities - current portion	210,226	192,177
Total current liabilities	<u>\$ 5,448,297</u>	<u>\$ 5,804,902</u>
Long-Term Liabilities:		
Lease liabilities - net of current portion	\$ 211,343	\$ 8,794
Subscription liabilities - net of current portion	552,164	693,654
Net OPEB liabilities (Note 8)	386,890	405,008
Total long-term liabilities	<u>\$ 1,150,397</u>	<u>\$ 1,107,456</u>
Total liabilities	<u>\$ 6,598,694</u>	<u>\$ 6,912,358</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related items (Note 6)	\$ 944,306	\$ 1,155,373
OPEB related items (Note 8)	122,578	132,043
Total deferred inflows of resources	<u>\$ 1,066,884</u>	<u>\$ 1,287,416</u>
NET POSITION		
Net investment in capital assets	\$ 6,832,956	\$ 6,915,013
Restricted		
Net pension and OPEB assets	3,091,898	2,835,084
HUD advance	1,991,189	1,973,140
Unrestricted	<u>2,963,835</u>	<u>2,270,822</u>
Total net position	<u>\$ 14,879,878</u>	<u>\$ 13,994,059</u>

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

SOUTHSIDE BEHAVIORAL HEALTH

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

	2025	2024
Operating revenues:		
Net patient service revenue	\$ 8,659,027	\$ 9,348,350
Operating expenses:		
Salaries and benefits	\$ 13,406,707	\$ 11,948,165
Staff development and recruitment	186,649	144,600
Facility	663,534	649,535
Supplies	594,788	565,288
Travel	78,933	63,492
Client services	2,181,646	1,794,724
Contractual and professional services	509,275	404,980
Rentals and leases	16,425	12,908
Insurance	142,887	136,732
Depreciation	808,335	668,253
Other	695,261	557,512
Total operating expenses	\$ 19,284,440	\$ 16,946,189
Operating income (loss)	\$ (10,625,413)	\$ (7,597,839)
Nonoperating revenues (expenses):		
Commonwealth of Virginia grants	\$ 8,531,096	\$ 6,961,552
Federal grants	1,547,081	1,524,093
Contributions from participating local governments (Note 11)	733,594	569,438
Interest income	333,213	311,645
Rental income	283,155	259,673
Gain/loss on disposal of assets	(19,838)	2,000
Other income	102,931	134,973
Total nonoperating revenues (expenses)	\$ 11,511,232	\$ 9,763,374
Change in net position	\$ 885,819	\$ 2,165,535
Net position, beginning of year	13,994,059	11,828,524
Net position, end of year	\$ 14,879,878	\$ 13,994,059

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

SOUTHSIDE BEHAVIORAL HEALTH

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

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Receipts from clients, private insurers, Medicaid, and others	\$ 8,483,289	\$ 9,343,996
Payments to suppliers	(4,772,240)	(4,442,545)
Payments to and for employees	(14,225,299)	(12,680,516)
Net cash flows provided by (used for) operating activities	<u>\$ (10,514,250)</u>	<u>\$ (7,779,065)</u>
Cash flows from noncapital financing activities:		
Contributions from local, state, and federal government	\$ 10,336,304	\$ 8,978,742
Other receipts (expenses)	251,159	382,836
Net cash flows provided by (used for) noncapital financing activities	<u>\$ 10,587,463</u>	<u>\$ 9,361,578</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	\$ (468,947)	\$ (822,525)
Proceeds from the sale of capital assets	-	2,000
Principal payments on lease liabilities	(57,842)	(5,438)
Principal payments on subscription liabilities	(219,327)	(184,716)
Net cash flows provided by (used for) capital and related financing activities	<u>\$ (746,116)</u>	<u>\$ (1,010,679)</u>
Cash flows from investing activities:		
Interest income	<u>\$ 333,213</u>	<u>\$ 311,645</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (339,690)</u>	<u>\$ 883,479</u>
Cash and cash equivalents, beginning of year	<u>9,554,912</u>	<u>8,671,433</u>
Cash and cash equivalents, end of year	<u><u>\$ 9,215,222</u></u>	<u><u>\$ 9,554,912</u></u>
Reconciliation to Statement of Net Position		
Cash and cash equivalents	\$ 9,126,934	\$ 9,430,734
Cash and cash equivalents, restricted	88,288	124,178
Total cash and cash equivalents	<u><u>\$ 9,215,222</u></u>	<u><u>\$ 9,554,912</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (10,625,413)	\$ (7,597,839)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	808,335	668,253
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable, net	(17,092)	(210,209)
Other receivables	(158,646)	205,855
Prepaid expenses and other	123,090	(20,093)
Deferred outflows of resources - pension related	(316,011)	166,926
Deferred outflows of resources - OPEB related	(10,059)	(3,551)
Accounts payable	175,098	(93,052)
Accrued payroll and related liabilities	36,680	31,315
Other liabilities	(1,030)	371
Compensated absences	(33,738)	46,447
Net pension asset	(235,269)	(860,312)
Net OPEB asset	(21,545)	(15,304)
Net OPEB liability	(18,118)	(15,820)
Deferred inflows of resources - pension related	(211,067)	(55,877)
Deferred inflows of resources - OPEB related	(9,465)	(26,175)
Cash flows provided by (used for) operating activities	<u><u>\$ (10,514,250)</u></u>	<u><u>\$ (7,779,065)</u></u>
Noncash capital activities:		
Capital assets acquired through leases and subscriptions	\$ (415,007)	\$ (893,308)

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

SOUTHSIDE BEHAVIORAL HEALTH

Notes to the Financial Statements June 30, 2025

Note 1 – Summary of Significant Accounting Policies:

A. Financial Reporting Entity

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

B. Blended Component Units

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Use of Estimates

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

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

E. Cash and Cash Equivalents

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

F. Valuation of Receivables

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

G. Net Client Service Revenue

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

H. Financial Assistance

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

I. Capital Assets

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

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

I. Capital Assets: (Continued)

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

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

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

J. Restricted Assets

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

K. Leases and Subscription-Based IT Arrangements

The Board has various lease assets and subscription-based IT arrangements (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity’s nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

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

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

Lessee

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

Subscriptions

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

Key Estimates and Judgments

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

- The Board uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Board uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.
- The lease and subscription terms includes the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease or subscription incentives and certain other payments are included in the measurement of the lease liability or subscription liability.

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

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

L. Pensions

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

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Deferred Outflows/Inflows of Resources

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

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

O. Unearned Revenue

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

P. Compensated Absences

The Board recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, one type of leave qualifies for liability recognition for compensated absences – paid time off (PTO), which may be used for any purpose, including vacation and sick leave. The liability for compensated absences is reported as incurred in the financial statements. The liability for compensated absences includes salary-related benefits, where applicable. Because the timing of the use of the benefit is not estimable, all of the liability has been classified as current.

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

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

P. Compensated Absences: (Continued)

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025	Amount Due Within One Year
Compensated absences	\$ 459,425	-	\$ 33,738	\$ 425,687	\$ 425,687

Q. Net Position

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

R. Comparative Information

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

Note 2 – Deposits and Investments:

Deposits

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

SOUTHSIDE BEHAVIORAL HEALTH

Notes to the Financial Statements June 30, 2025 (Continued)

Note 2 – Deposits and Investments: (Continued)

Investments

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

Credit Risk

At June 30, 2025, the Board’s investments were all in the LGIP, which has been assigned a credit rating of AAAM by Standard & Poor’s (S&P).

At June 30, 2025, the Board had no significant exposure to interest rate, foreign currency, or concentration of credit risks.

Cash on hand	\$	1,479
Deposits		2,103,402
Local Government Investment Pool		<u>7,110,341</u>
Total	\$	<u><u>9,215,222</u></u>
Statement of net position:		
Cash and cash equivalents	\$	9,126,934
Cash and cash equivalents, restricted		<u>88,288</u>
Total	\$	<u><u>9,215,222</u></u>

External Investment Pool

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

Note 3 – Accounts Receivable:

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	\$	841,940
Third-party insurers and other		<u>434,679</u>
Total	\$	1,276,619
Allowance for uncollectible accounts		<u>(240,603)</u>
Net	\$	<u><u>1,036,016</u></u>

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

Note 4 – Capital Assets:

Capital asset activity for the year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 636,088	\$ -	\$ -	\$ 636,088
Total capital assets not being depreciated	<u>\$ 636,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 636,088</u>
Capital assets being depreciated:				
Land improvements	\$ 60,335	\$ -	\$ -	\$ 60,335
Buildings and improvements	14,899,583	165,793	(32,515)	15,032,861
Furniture, fixtures and equipment	690,059	124,661	(3,450)	811,270
Lease equipment	31,298	319,121	-	350,419
Subscription assets	1,245,472	95,886	-	1,341,358
Vehicles	1,474,344	178,493	(103,361)	1,549,476
Total capital assets being depreciated	<u>\$ 18,401,091</u>	<u>\$ 883,954</u>	<u>\$ (139,326)</u>	<u>\$ 19,145,719</u>
Accumulated depreciation:				
Land improvements	\$ (4,381)	\$ (2,378)	\$ -	\$ (6,759)
Buildings and improvements	(9,047,843)	(410,592)	12,677	(9,445,758)
Furniture, fixtures and equipment	(595,302)	(18,762)	3,450	(610,614)
Lease equipment	(16,284)	(54,487)	-	(70,771)
Subscription assets	(362,302)	(214,832)	-	(577,134)
Vehicles	(1,195,224)	(107,284)	103,361	(1,199,147)
Total accumulated depreciation	<u>\$ (11,221,336)</u>	<u>\$ (808,335)</u>	<u>\$ 119,488</u>	<u>\$ (11,910,183)</u>
Net capital assets being depreciated	<u>\$ 7,179,755</u>	<u>\$ 75,619</u>	<u>\$ (19,838)</u>	<u>\$ 7,235,536</u>
Net capital assets	<u><u>\$ 7,815,843</u></u>	<u><u>\$ 75,619</u></u>	<u><u>\$ (19,838)</u></u>	<u><u>\$ 7,871,624</u></u>

Note 5 – Long-Term Obligations:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2025:

	<u>Balance July 1, 2024</u>	<u>Additions/ Issuances</u>	<u>Deletions/ Retirements</u>	<u>Balance June 30, 2025</u>	<u>Amount Due In One Year</u>
Lease liabilities	\$ 14,999	\$ 319,121	\$ 57,842	\$ 276,278	\$ 64,935
Subscription liabilities	885,831	95,886	219,327	762,390	210,226
Net OPEB liabilities	405,008	167,862	185,980	386,890	-
Total	<u>\$ 1,305,838</u>	<u>\$ 582,869</u>	<u>\$ 463,149</u>	<u>\$ 1,425,558</u>	<u>\$ 275,161</u>

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

Note 5 – Long-Term Obligations: (Continued)

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

Year Ending June 30,	Lease Liabilities		Subscription Liabilities	
	Principal	Interest	Principal	Interest
2026	\$ 64,935	\$ 5,738	\$ 210,226	\$ 16,849
2027	64,453	4,259	215,370	11,704
2028	64,602	2,759	197,447	6,344
2029	65,739	1,228	139,347	1,592
2030	16,549	69	-	-
Total	<u>\$ 276,278</u>	<u>\$ 14,053</u>	<u>\$ 762,390</u>	<u>\$ 36,489</u>

Details of Long-Term Obligations

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Lease Liabilities:</u>		
On 10/11/2021, Southside Behavioral Health, VA entered into a 60 month lease as Lessee for the use of Konica Minolta - BBHC. An initial lease liability was recorded in the amount of \$5,070. Southside Behavioral Health, VA is required to make monthly fixed payments of \$86. The lease has an interest rate of 0.7120%.	\$ 1,284	\$ 1,026
On 12/15/2020, Southside Behavioral Health, VA entered into a 60 month lease as Lessee for the use of Konica Minolta - Bizhub 360i. An initial lease liability was recorded in the amount of \$7,561. Southside Behavioral Health, VA is required to make monthly fixed payments of \$128. The lease has an interest rate of 0.6210%.	639	639
On 03/22/2022, Southside Behavioral Health, VA entered into a 60 month lease as Lessee for the use of Konica Minolta - Digital Copier. An initial lease liability was recorded in the amount of \$8,055. Southside Behavioral Health, VA is required to make monthly fixed payments of \$137. The lease has an interest rate of 0.7360%.	2,716	1,626
On 03/06/2024, Southside Behavioral Health, VA entered into a 60 month lease as Lessee for the use of Konica Minolta - HCSP. An initial lease liability was recorded in the amount of \$5,485. Southside Behavioral Health, VA is required to make monthly fixed payments of \$99. The lease has an interest rate of 2.2820%.	4,155	1,099
On 07/18/2024, Southside Behavioral Health, VA entered into a 60 month lease as Lessee for the use of Konica Minolta - HBHC. An initial lease liability was recorded in the amount of \$5,334. Southside Behavioral Health, VA is required to make monthly fixed payments of \$95. The lease has an interest rate of 2.616%.	4,317	1,037

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

Note 5 – Long-Term Obligations: (Continued)

Details of Long-Term Obligations (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Lease Liabilities: (Continued)</u>		
On 10/01/2024, Southside Behavioral Health, VA entered into a 60 month lease as Lessee for the use of APS - Tech Pharmacy Solutions. An initial lease liability was recorded in the amount of \$300,261. Southside Behavioral Health, VA is required to make monthly fixed payments of \$5,301. The lease has an interest rate of 2.331%.	\$ 257,153	\$ 58,238
On 01/30/2025, Southside Behavioral Health, VA entered into a 60 month lease as Lessee for the use of Pitney Bowes postage machines. An initial lease liability was recorded in the amount of \$6,326. Southside Behavioral Health, VA is required to make monthly fixed payments of \$357. The lease has an interest rate of 2.885%.	<u>6,014</u>	<u>1,270</u>
Total lease liabilities	\$ <u>276,278</u>	\$ <u>64,935</u>
<u>Subscription Liabilities:</u>		
On 07/01/2022, Southside Behavioral Health, VA entered into a 64 month subscription for the use of Behavioral Health - Enhanced Package. An initial subscription liability was recorded in the amount of \$90,056. Southside Behavioral Health, VA is required to make annual fixed payments of \$19,084. The subscription has an interest rate of 2.5360%.	\$ 36,765	\$ 18,152
On 03/01/2024, Southside Behavioral Health, VA entered into a 60 month subscription for the use of Qualifacts (Credible). An initial subscription liability was recorded in the amount of \$887,823. Southside Behavioral Health, VA is required to make monthly fixed payments of \$15,713. The subscription has an interest rate of 2.4320%.	660,800	174,421
On 07/01/2024, Southside Behavioral Health, VA entered into a 36 month subscription for the use of software provided by ENA Healthcare Services, LLC. An initial subscription liability was recorded in the amount of \$12,056. Southside Behavioral Health, VA is required to make monthly fixed payments of \$350. The subscription has an interest rate of 2.975%.	8,145	4,012
On 07/11/2024, Southside Behavioral Health, VA entered into a 60 month subscription for the use of software provided by SR Business Systems. An initial subscription liability was recorded in the amount of \$71,707. Southside Behavioral Health, VA is required to make annual fixed payments of \$15,235. The subscription has an interest rate of 3.067%.	<u>56,680</u>	<u>13,641</u>
Total subscription liabilities	\$ <u>762,390</u>	\$ <u>210,226</u>
Net OPEB liabilities	\$ 386,890	\$ -
Total long-term obligations	<u>\$ 1,425,558</u>	<u>\$ 275,161</u>

Note 6 – Pension Plan:

Plan Description

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

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 6 – Pension Plan: (Continued)***Average Final Compensation and Service Retirement Multiplier***

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	90
Inactive members:	
Vested inactive members	37
Non-vested inactive members	96
Inactive members active elsewhere in VRS	<u>56</u>
Total inactive members	189
Active members	<u>182</u>
Total covered employees	<u><u>461</u></u>

SOUTHSIDE BEHAVIORAL HEALTH

Notes to the Financial Statements June 30, 2025 (Continued)

Note 6 – Pension Plan: (Continued)

Contributions

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

Southside Behavioral Health's contractually required employer contribution rate for the year ended June 30, 2025 was 2.46% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from Southside Behavioral Health were \$245,539 and \$256,340 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$73,622 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$59,912 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$7,362,122 for the year ended June 30, 2025.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Southside Behavioral Health, the net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in Southside Behavioral Health's Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

Note 6 – Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

Note 6 – Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
	Expected arithmetic nominal return**		7.07%

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

Note 6 – Pension Plan: (Continued)

Discount Rate:

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 22,646,578	\$ 25,466,358	\$ (2,819,780)
Changes for the year:			
Service cost	\$ 668,351	\$ -	\$ 668,351
Interest	1,527,914	-	1,527,914
Differences between expected and actual experience	632,565	-	632,565
Contributions - employer	-	242,364	(242,364)
Contributions - employee	-	386,592	(386,592)
Net investment income	-	2,451,108	(2,451,108)
Benefit payments, including refunds	(1,358,341)	(1,358,341)	-
Administrative expenses	-	(16,467)	16,467
Other changes	-	502	(502)
Net changes	\$ 1,470,489	\$ 1,705,758	\$ (235,269)
Balances at June 30, 2024	\$ 24,117,067	\$ 27,172,116	\$ (3,055,049)

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

Note 6 – Pension Plan: (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Southside Behavioral Health's Net Pension Liability (Asset)	\$ (102,329)	\$ (3,055,049)	\$ (5,453,048)

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

For the year ended June 30, 2025, Southside Behavioral Health recognized pension expense of \$(530,788). At June 30, 2025, Southside Behavioral Health reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 393,861	\$ 226,506
Net difference between projected and actual earnings on pension plan investments	-	717,796
Employer contributions subsequent to the measurement date	245,539	-
Total	<u>\$ 639,400</u>	<u>\$ 944,302</u>

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

Note 6 – Pension Plan: (Continued)

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:
(Continued)***

\$245,539 reported as deferred outflows of resources related to pensions resulting from Southside Behavioral Health’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30

2026	\$	(615,067)
2027		355,236
2028		(139,153)
2029		(151,457)
2030		-
Thereafter		-

Pension Plan Data

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

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

Plan Description

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

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

SOUTHSIDE BEHAVIORAL HEALTH

Notes to the Financial Statements June 30, 2025 (Continued)

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,532 as of June 30, 2025.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025, was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$46,912 and \$48,066 for the years ended June 30, 2025 and June 30, 2024, respectively.

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

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

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

At June 30, 2025, the entity reported a liability of \$386,890 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer’s proportion was 0.0347% as compared to 0.0337% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of \$5,162. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2025, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 61,021	\$ 9,450
Net difference between projected and actual earnings on GLI OPEB plan investments	-	32,611
Change in assumptions	2,205	19,173
Changes in proportionate share	11,947	22,158
Employer contributions subsequent to the measurement date	<u>46,912</u>	<u>-</u>
Total	<u>\$ 122,085</u>	<u>\$ 83,392</u>

\$46,912 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2026	\$ (20,802)
2027	1,961
2028	(3,403)
2029	6,389
2030	7,636
Thereafter	-

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

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

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

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Expected arithmetic nominal return**	7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

SOUTHSIDE BEHAVIORAL HEALTH

Notes to the Financial Statements June 30, 2025 (Continued)

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2024, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Southside Behavioral Health's proportionate share of the GLI Plan Net OPEB Liability	601,664	386,890	213,381

GLI Plan Fiduciary Net Position

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

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

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

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

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

Eligible Employees

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

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

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

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>42</u>
Inactive members:	
Vested inactive members	4
Inactive members active elsewhere in VRS	48
Total inactive members	<u>94</u>
Active members	<u>182</u>
Total covered employees	<u><u>276</u></u>

SOUTHSIDE BEHAVIORAL HEALTH

Notes to the Financial Statements June 30, 2025 (Continued)

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

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Southside Behavioral Health’s contractually required employer contribution rate for the year ended June 30, 2025 was 0.04% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Southside Behavioral Health to the HIC Plan were \$3,993 and \$10,677 for the years ended June 30, 2025 and June 30, 2024, respectively.

Net HIC OPEB Liability

Southside Behavioral Health’s net HIC OPEB liability was measured as of June 30, 2024. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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

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

Pre-Retirement:

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

Post-Retirement:

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

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

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

Actuarial Assumptions: (Continued)

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	<u>100.00%</u>		<u>7.07%</u>
		Expected arithmetic nominal return**	<u>7.07%</u>

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2024, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 268,663	\$ 283,967	\$ (15,304)
Changes for the year:			
Service cost	\$ 4,662	\$ -	\$ 4,662
Interest	17,889	-	17,889
Differences between expected and actual experience	(7,400)	-	(7,400)
Assumption changes	-	-	-
Contributions - employer	-	10,677	(10,677)
Net investment income	-	26,382	(26,382)
Benefit payments	(16,615)	(16,615)	-
Administrative expenses	-	(363)	363
Other changes	-	-	-
Net changes	\$ (1,464)	\$ 20,081	\$ (21,545)
Balances at June 30, 2024	\$ 267,199	\$ 304,048	\$ (36,849)

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Southside Behavioral Health's Net HIC OPEB Liability (Asset)	\$ (8,286)	\$ (36,849)	\$ (61,026)

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

For the year ended June 30, 2025, Southside Behavioral Health recognized HIC Plan OPEB expense of (\$13,442). At June 30, 2025, Southside Behavioral Health reported deferred outflows of resources and deferred inflows of resources related to Southside Behavioral Health’s HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,688	\$ 23,812
Net difference between projected and actual earnings on HIC OPEB plan investments	-	6,250
Change in assumptions	1,087	9,124
Employer contributions subsequent to the measurement date	3,993	-
Total	<u>\$ 7,768</u>	<u>\$ 39,186</u>

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

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

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

\$3,993 reported as deferred outflows of resources related to the HIC OPEB resulting from Southside Behavioral Health’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

	2026	\$	
	2027		(19,192)
	2028		(8,147)
	2029		(5,957)
	2030		(2,115)
	2030		-
	Thereafter		-

HIC Plan Data

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

Aggregate OPEB Information:

	<u>Net OPEB Asset</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:					
Group Life Insurance Plan (Note 7)	\$ -	\$ 122,085	\$ 83,392	\$ 386,890	\$ 5,162
Health Insurance Credit Plan (Note 8)	(36,849)	7,768	39,186	-	(13,442)
Totals	<u>\$ (36,849)</u>	<u>\$ 129,853</u>	<u>\$ 122,578</u>	<u>\$ 386,890</u>	<u>\$ (8,280)</u>

SOUTHSIDE BEHAVIORAL HEALTH

**Notes to the Financial Statements
June 30, 2025 (Continued)**

Note 9 – Other Postemployment Benefits—Health Insurance Supplement:

Employees, upon retirement with 20 years of service with the Board and meeting certain other criteria, are eligible to receive a monthly health insurance supplement. For the year ended June 30, 2025, there were five persons covered under this plan and benefits totaling \$4,386 were paid during the year. The health insurance supplement for retirees is no longer offered to new retirees effective January 1, 2014.

Note 10 – Net Client Service Revenue:

Net client revenues arose from the following sources:

Medicaid	\$	8,456,165
Third-party, direct client fees, and other		<u>202,862</u>
Total	\$	<u><u>8,659,027</u></u>

Note 11 – Contributions from Participating Local Governments:

Contributions from participating local governments were as follows:

County of Halifax	\$	244,114
County of Mecklenburg		336,453
County of Brunswick		<u>153,027</u>
Total	\$	<u><u>733,594</u></u>

Note 12 – Other Income:

Other income arose from the following sources:

Donations and other grants	\$	25,836
Management fees		28,247
Miscellaneous		<u>48,848</u>
Total	\$	<u><u>102,931</u></u>

SOUTHSIDE BEHAVIORAL HEALTH

Notes to the Financial Statements June 30, 2025 (Continued)

Note 13 – Commitments and Contingencies:

Contingencies

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

Note 14 – Risk Management:

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

Note 15 – Upcoming Pronouncements:

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

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

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, effective for fiscal years beginning after June 15, 2025.

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

Required Supplementary Information

SOUTHSIDE BEHAVIORAL HEALTH

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability:					
Service cost	\$ 668,351	\$ 593,108	\$ 578,798	\$ 668,836	\$ 643,943
Interest	1,527,914	1,522,312	1,507,096	1,362,369	1,309,638
Differences between expected and actual experience	632,565	(839,991)	(663,601)	(24,325)	(164,943)
Assumption changes	-	-	-	641,757	-
Benefit payments	(1,358,341)	(1,177,028)	(1,245,324)	(921,336)	(1,093,547)
Net change in total pension liability	\$ 1,470,489	\$ 98,401	\$ 176,969	\$ 1,727,301	\$ 695,091
Total pension liability - beginning	22,646,578	22,548,177	22,371,208	20,643,907	19,948,816
Total pension liability - ending (a)	\$ 24,117,067	\$ 22,646,578	\$ 22,548,177	\$ 22,371,208	\$ 20,643,907
Plan fiduciary net position:					
Contributions - employer	\$ 242,364	\$ 224,578	\$ 276,482	\$ 276,432	\$ 304,774
Contributions - employee	386,592	354,327	331,749	322,445	332,439
Net investment income	2,451,108	1,572,054	(18,629)	5,477,844	387,867
Benefit payments	(1,358,341)	(1,177,028)	(1,245,324)	(921,336)	(1,093,547)
Administrator charges	(16,467)	(15,849)	(15,748)	(13,581)	(13,187)
Other	502	631	576	517	(452)
Net change in plan fiduciary net position	\$ 1,705,758	\$ 958,713	\$ (670,894)	\$ 5,142,321	\$ (82,106)
Plan fiduciary net position - beginning	25,466,358	24,507,645	25,178,539	20,036,218	20,118,324
Plan fiduciary net position - ending (b)	\$ 27,172,116	\$ 25,466,358	\$ 24,507,645	\$ 25,178,539	\$ 20,036,218
SBH's net pension liability (asset) - ending (a) - (b)	\$ (3,055,049)	\$ (2,819,780)	\$ (1,959,468)	\$ (2,807,331)	\$ 607,689
Plan fiduciary net position as a percentage of the total pension liability	112.67%	112.45%	108.69%	112.55%	97.06%
Covered payroll	\$ 8,897,374	\$ 7,821,270	\$ 7,821,270	\$ 7,686,595	\$ 6,348,328
SBH's net pension liability (asset) as a percentage of covered payroll	-34.34%	-36.05%	-25.05%	-36.52%	9.57%

SOUTHSIDE BEHAVIORAL HEALTH

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:					
Service cost	\$ 612,950	\$ 651,467	\$ 673,147	\$ 706,260	\$ 740,136
Interest	1,262,300	1,194,917	1,169,856	1,090,678	1,026,037
Differences between expected and actual experience	(175,003)	(145,296)	(657,053)	1,726	(269,045)
Assumption changes	588,802	-	(99,143)	-	-
Benefit payments	(746,168)	(730,804)	(726,775)	(608,308)	(539,072)
Net change in total pension liability	<u>\$ 1,542,881</u>	<u>\$ 970,284</u>	<u>\$ 360,032</u>	<u>\$ 1,190,356</u>	<u>\$ 958,056</u>
Total pension liability - beginning	<u>18,405,935</u>	<u>17,435,651</u>	<u>17,075,619</u>	<u>15,885,263</u>	<u>14,927,207</u>
Total pension liability - ending (a)	<u><u>\$ 19,948,816</u></u>	<u><u>\$ 18,405,935</u></u>	<u><u>\$ 17,435,651</u></u>	<u><u>\$ 17,075,619</u></u>	<u><u>\$ 15,885,263</u></u>
Plan fiduciary net position:					
Contributions - employer	\$ 308,933	\$ 405,364	\$ 414,682	\$ 573,897	\$ 579,205
Contributions - employee	328,403	320,194	325,553	316,707	321,651
Net investment income	1,273,354	1,314,172	1,932,986	278,482	665,289
Benefit payments	(746,168)	(730,804)	(726,775)	(608,308)	(539,072)
Administrator charges	(12,398)	(11,141)	(10,948)	(9,233)	(8,610)
Other	(803)	(1,588)	(2,218)	(115)	(142)
Net change in plan fiduciary net position	<u>\$ 1,151,321</u>	<u>\$ 1,296,197</u>	<u>\$ 1,933,280</u>	<u>\$ 551,430</u>	<u>\$ 1,018,321</u>
Plan fiduciary net position - beginning	<u>18,967,003</u>	<u>17,670,806</u>	<u>15,737,526</u>	<u>15,186,096</u>	<u>14,167,775</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 20,118,324</u></u>	<u><u>\$ 18,967,003</u></u>	<u><u>\$ 17,670,806</u></u>	<u><u>\$ 15,737,526</u></u>	<u><u>\$ 15,186,096</u></u>
SBH's net pension liability (asset) - ending (a) - (b)	<u><u>\$ (169,508)</u></u>	<u><u>\$ (561,068)</u></u>	<u><u>\$ (235,155)</u></u>	<u><u>\$ 1,338,093</u></u>	<u><u>\$ 699,167</u></u>
Plan fiduciary net position as a percentage of the total pension liability	100.85%	103.05%	101.35%	92.16%	95.60%
Covered payroll	\$ 7,023,841	\$ 6,818,628	\$ 7,439,570	\$ 7,582,212	\$ 6,533,095
SBH's net pension liability (asset) as a percentage of covered payroll	-2.41%	-8.23%	-3.16%	17.65%	10.70%

SOUTHSIDE BEHAVIORAL HEALTHSchedule of Employer Contributions
Pension PlanYears Ended June 30, 2016 through June 30, 2025

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	\$ 245,539	\$ 245,539	\$ -	\$ 9,981,276	2.46%
2024	256,340	256,340	-	8,897,374	2.88%
2023	231,699	231,699	-	7,821,270	2.96%
2022	282,534	282,534	-	7,821,270	3.61%
2021	297,306	297,306	-	7,686,595	3.87%
2020	315,635	315,635	-	6,348,328	4.97%
2019	316,514	316,514	-	7,023,841	4.51%
2018	408,923	408,923	-	6,818,628	6.00%
2017	422,132	422,132	-	7,439,570	5.67%
2016	577,154	577,154	-	7,582,212	7.61%

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

SOUTHSIDE BEHAVIORAL HEALTH

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

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

SOUTHSIDE BEHAVIORAL HEALTH

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2024	0.0347%	\$ 386,890	\$ 8,901,108	4.35%	73.41%
2023	0.0337%	405,008	7,955,390	5.09%	69.30%
2022	0.0337%	405,299	7,321,045	5.54%	67.21%
2021	0.0365%	424,959	7,686,595	5.53%	67.45%
2020	0.0369%	615,466	6,348,238	9.70%	52.64%
2019	0.0364%	592,000	7,023,841	8.43%	52.00%
2018	0.0359%	546,000	6,818,628	8.01%	51.22%
2017	0.0372%	560,000	6,818,628	8.21%	48.86%

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

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 Years Ended June 30, 2018 through June 30, 2025

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	\$ 46,912	\$ 46,912	\$ -	\$ 9,981,276	0.47%
2024	48,066	48,066	-	8,901,108	0.54%
2023	42,959	42,959	-	7,955,390	0.54%
2022	39,534	39,534	-	7,321,045	0.54%
2021	40,241	40,241	-	7,686,595	0.52%
2020	39,988	39,988	-	6,348,238	0.63%
2019	34,391	34,391	-	7,023,841	0.49%
2018	34,149	34,149	-	6,818,628	0.50%

Schedule is intended to show information for 10 years. Information prior to the FY2018 is not available. However, additional years will be included as they become available.

SOUTHSIDE BEHAVIORAL HEALTH

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

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Changes in the Southside Behavioral Health's Net OPEB Liability (Asset) and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total HIC OPEB Liability				
Service cost	\$ 4,662	\$ 4,546	\$ 6,571	\$ 7,908
Interest	17,889	19,293	19,648	18,179
Differences between expected and actual experience	(7,400)	(28,991)	5,289	3,162
Changes of assumptions	-	-	(19,903)	824
Benefit payments	(16,615)	(14,918)	(14,773)	(14,981)
Net change in total HIC OPEB liability	\$ (1,464)	\$ (20,070)	\$ (3,168)	\$ 15,092
Total HIC OPEB Liability - beginning	<u>268,663</u>	<u>288,733</u>	<u>291,901</u>	<u>276,809</u>
Total HIC OPEB Liability - ending (a)	<u>\$ 267,199</u>	<u>\$ 268,663</u>	<u>\$ 288,733</u>	<u>\$ 291,901</u>
Plan fiduciary net position				
Contributions - employer	\$ 10,677	\$ 9,511	\$ 11,650	\$ 11,435
Net investment income	26,382	16,496	371	57,853
Benefit payments	(16,615)	(14,918)	(14,773)	(14,981)
Administrator charges	(363)	(402)	(477)	(677)
Other	-	76	1,370	-
Net change in plan fiduciary net position	\$ 20,081	\$ 10,763	\$ (1,859)	\$ 53,630
Plan fiduciary net position - beginning	<u>283,967</u>	<u>273,204</u>	<u>275,063</u>	<u>221,433</u>
Plan fiduciary net position - ending (b)	<u>\$ 304,048</u>	<u>\$ 283,967</u>	<u>\$ 273,204</u>	<u>\$ 275,063</u>
Southside Behavioral Health's net HIC OPEB liability (asset) - ending (a) - (b)	\$ (36,849)	\$ (15,304)	\$ 15,529	\$ 16,838
Plan fiduciary net position as a percentage of the total HIC OPEB liability	113.79%	105.70%	94.62%	94.23%
Covered payroll	\$ 8,897,374	\$ 7,926,476	\$ 7,281,270	\$ 7,686,595
Southside Behavioral Health's net HIC OPEB liability (asset) as a percentage of covered payroll	-0.41%	-0.19%	0.21%	0.22%

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

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Changes in the Southside Behavioral Health's Net OPEB Liability (Asset) and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2024 (Continued)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total HIC OPEB Liability				
Service cost	\$ 8,074	\$ 7,441	\$ 8,546	\$ 8,064
Interest	18,373	18,066	17,417	16,881
Differences between expected and actual experience	(15,682)	(6,643)	(4,574)	-
Changes of assumptions	-	6,813	-	(7,580)
Benefit payments	(12,303)	(10,823)	(13,414)	(6,009)
Net change in total HIC OPEB liability	<u>\$ (1,538)</u>	<u>\$ 14,854</u>	<u>\$ 7,975</u>	<u>\$ 11,356</u>
Total HIC OPEB Liability - beginning	<u>278,347</u>	<u>263,493</u>	<u>255,518</u>	<u>244,162</u>
Total HIC OPEB Liability - ending (a)	<u><u>\$ 276,809</u></u>	<u><u>\$ 278,347</u></u>	<u><u>\$ 263,493</u></u>	<u><u>\$ 255,518</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 13,889	\$ 13,497	\$ 14,347	\$ 14,397
Net investment income	4,335	13,072	13,421	19,054
Benefit payments	(12,303)	(10,823)	(13,414)	(6,009)
Administrator charges	(424)	(288)	(319)	(322)
Other	(2)	(15)	(931)	931
Net change in plan fiduciary net position	<u>\$ 5,495</u>	<u>\$ 15,443</u>	<u>\$ 13,104</u>	<u>\$ 28,051</u>
Plan fiduciary net position - beginning	<u>215,938</u>	<u>200,495</u>	<u>187,391</u>	<u>159,340</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 221,433</u></u>	<u><u>\$ 215,938</u></u>	<u><u>\$ 200,495</u></u>	<u><u>\$ 187,391</u></u>
Southside Behavioral Health's net HIC OPEB liability (asset) - ending (a) - (b)	\$ 55,376	\$ 62,409	\$ 62,998	\$ 68,127
Plan fiduciary net position as a percentage of the total HIC OPEB liability	79.99%	77.58%	76.09%	73.34%
Covered payroll	\$ 6,348,328	\$ 7,023,841	\$ 6,818,628	\$ 7,439,570
Southside Behavioral Health's net HIC OPEB liability (asset) as a percentage of covered payroll	0.87%	0.89%	0.92%	0.92%

SOUTHSIDE BEHAVIORAL HEALTH

Schedule of Employer Contributions
 Health Insurance Credit (HIC) Plan
 Years Ended June 30, 2018 through June 30, 2025

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2025	\$ 3,993	\$ 3,993	\$ -	\$ 9,981,276	0.04%
2024	10,677	10,677	-	8,897,374	0.12%
2023	9,512	9,512	-	7,926,476	0.12%
2022	11,650	11,650	-	7,281,270	0.16%
2021	11,522	11,522	-	7,686,595	0.15%
2020	13,715	13,715	-	6,348,328	0.22%
2019	12,705	12,705	-	7,023,841	0.18%
2018	13,626	13,626	-	6,818,628	0.20%

Schedule is intended to show information for 10 years. Information prior to the 2018 is not available. However, additional years will be included as they become available.

SOUTHSIDE BEHAVIORAL HEALTH

Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
Year Ended June 30, 2025

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

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

Non-Largest Ten Locality Employers - General Employees

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

Other Supplementary Information

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Net Position
At June 30, 2025

	Southside Behavioral Health	Alberta Manor, Inc.	Gateway - Halifax Apartments, Inc.	Brandon Homes, Inc.
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 9,125,767	\$ -	\$ -	\$ -
Accounts receivable, net	1,022,649	-	13,367	-
Other receivables	458,606	-	-	-
Prepaid expenses and other	102,837	-	-	-
Advances to HUD component units	172,359	-	-	-
Cash and cash equivalents, restricted	6,871	23,681	16,178	4,906
Total current assets	\$ 10,889,089	\$ 23,681	\$ 29,545	\$ 4,906
Noncurrent Assets:				
Net pension asset	\$ 3,055,049	\$ -	\$ -	\$ -
Net OPEB asset	36,849	-	-	-
Capital assets, net	7,509,900	146,450	55,753	32,376
Total noncurrent assets	\$ 10,601,798	\$ 146,450	\$ 55,753	\$ 32,376
Total assets	\$ 21,490,887	\$ 170,131	\$ 85,298	\$ 37,282
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 639,400	\$ -	\$ -	\$ -
OPEB related items	129,853	-	-	-
Total deferred outflows of resources	\$ 769,253	\$ -	\$ -	\$ -
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 412,241	\$ 67,809	\$ 47,816	\$ 18,817
Accrued payroll and related liabilities	520,445	-	-	-
Other liabilities	3,349	2,809	1,554	3
Unearned revenue	3,789,776	-	-	-
Amounts held for clients, payable from restricted assets	6,871	-	-	-
Compensated absences	425,687	-	-	-
Lease liabilities - current portion	64,935	-	-	-
Subscription liabilities - current portion	210,226	-	-	-
Total current liabilities	\$ 5,433,530	\$ 70,618	\$ 49,370	\$ 18,820
Long-Term Liabilities:				
Lease liabilities - net of current portion	\$ 211,343	\$ -	\$ -	\$ -
Subscription liabilities - net of current portion	552,164	-	-	-
Net OPEB liabilities	386,890	-	-	-
Total long-term liabilities	\$ 1,150,397	\$ -	\$ -	\$ -
Total liabilities	\$ 6,583,927	\$ 70,618	\$ 49,370	\$ 18,820
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ 944,306	\$ -	\$ -	\$ -
OPEB related items	122,578	-	-	-
Total deferred inflows of resources	\$ 1,066,884	\$ -	\$ -	\$ -
NET POSITION				
Net investment in capital assets	\$ 6,471,232	\$ 146,450	\$ 55,753	\$ 32,376
Restricted				
Net pension and OPEB assets	3,091,898	-	-	-
HUD advance	210,226	738,700	513,800	239,400
Unrestricted (deficit)	4,835,973	(785,637)	(533,625)	(253,314)
Total net position	\$ 14,609,329	\$ 99,513	\$ 35,928	\$ 18,462

SOUTHSIDE BEHAVIORAL HEALTH

Combining Statement of Net Position
At June 30, 2025 (Continued)

	MARC of Virginia, Inc.	Southside Behavioral Health System Inc.	Inter- Company Eliminations	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 1,167	\$ -	\$ 9,126,934
Accounts receivable, net	-	-	-	1,036,016
Other receivables	-	-	-	458,606
Prepaid expenses and other	-	-	-	102,837
Advances to HUD component units	-	-	(172,359)	-
Cash and cash equivalents, restricted	36,652	-	-	88,288
Total current assets	\$ 36,652	\$ 1,167	\$ (172,359)	\$ 10,812,681
Noncurrent Assets:				
Net pension asset	\$ -	\$ -	\$ -	\$ 3,055,049
Net OPEB asset	-	-	-	36,849
Capital assets, net	127,145	-	-	7,871,624
Total noncurrent assets	\$ 127,145	\$ -	\$ -	\$ 10,963,522
Total assets	\$ 163,797	\$ 1,167	\$ (172,359)	\$ 21,776,203
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ -	\$ -	\$ -	\$ 639,400
OPEB related items	-	-	-	129,853
Total deferred outflows of resources	\$ -	\$ -	\$ -	\$ 769,253
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 47,459	\$ -	\$ (172,359)	\$ 421,783
Accrued payroll and related liabilities	-	-	-	520,445
Other liabilities	859	-	-	8,574
Unearned revenue	-	-	-	3,789,776
Amounts held for clients, payable from restricted assets	-	-	-	6,871
Compensated absences	-	-	-	425,687
Lease liabilities - current portion	-	-	-	64,935
Subscription liabilities - current portion	-	-	-	210,226
Total current liabilities	\$ 48,318	\$ -	\$ (172,359)	\$ 5,448,297
Long-Term Liabilities:				
Lease liabilities - net of current portion	\$ -	\$ -	\$ -	\$ 211,343
Subscription liabilities - net of current portion	-	-	-	552,164
Net OPEB liabilities	-	-	-	386,890
Total long-term liabilities	\$ -	\$ -	\$ -	\$ 1,150,397
Total liabilities	\$ 48,318	\$ -	\$ (172,359)	\$ 6,598,694
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ -	\$ -	\$ -	\$ 944,306
OPEB related items	-	-	-	122,578
Total deferred inflows of resources	\$ -	\$ -	\$ -	\$ 1,066,884
NET POSITION				
Net investment in capital assets Restricted	\$ 127,145	\$ -	\$ -	\$ 6,832,956
Net pension and OPEB assets	-	-	-	3,091,898
HUD advance	289,063	-	-	1,991,189
Unrestricted (deficit)	(300,729)	1,167	-	2,963,835
Total net position	\$ 115,479	\$ 1,167	\$ -	\$ 14,879,878

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

	<u>Southside Behavioral Health</u>	<u>Alberta Manor, Inc.</u>	<u>Gateway - Halifax Apartments, Inc.</u>	<u>Brandon Homes, Inc.</u>
Operating revenues:				
Net patient service revenue	\$ 8,659,027	\$ -	\$ -	\$ -
Operating expenses:				
Salaries and benefits	\$ 13,313,311	\$ 34,406	\$ 39,920	\$ -
Staff development and recruitment	186,649	-	-	-
Facility	552,634	38,409	30,839	8,998
Supplies	594,788	-	-	-
Travel	78,933	-	-	-
Client services	2,181,646	-	-	-
Contractual and professional services	495,505	5,430	2,780	2,780
Rentals and leases	16,425	-	-	-
Insurance	142,887	-	-	-
Depreciation	754,547	30,824	5,009	8,195
Other	674,438	5,489	4,868	4,117
Total operating expenses	\$ 18,991,763	\$ 114,558	\$ 83,416	\$ 24,090
Operating income (loss)	\$ (10,332,736)	\$ (114,558)	\$ (83,416)	\$ (24,090)
Nonoperating revenues (expenses):				
Commonwealth of Virginia grants	\$ 8,531,096	\$ -	\$ -	\$ -
Federal grants	1,547,081	-	-	-
Contributions from participating local governments	733,594	-	-	-
Interest income	333,133	26	12	7
Rental income	96,042	69,020	65,142	7,604
Gain/loss on disposal of assets	-	(19,838)	-	-
Other	82,555	-	-	-
Total nonoperating revenues (expenses)	\$ 11,323,501	\$ 49,208	\$ 65,154	\$ 7,611
Change in net position	\$ 990,765	\$ (65,350)	\$ (18,262)	\$ (16,479)
Net position, beginning of year	13,618,564	164,863	54,190	34,941
Net position, end of year	\$ 14,609,329	\$ 99,513	\$ 35,928	\$ 18,462

SOUTHSIDE BEHAVIORAL HEALTH

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

	<u>MARC of Virginia, Inc.</u>	<u>Southside Behavioral Health System Inc.</u>	<u>Inter- Company Eliminations</u>	<u>Total</u>
Operating revenues:				
Net patient service revenue	\$ -	\$ -	\$ -	\$ 8,659,027
Operating expenses:				
Salaries and benefits	\$ 19,070	\$ -	\$ -	\$ 13,406,707
Staff development and recruitment	-	-	-	186,649
Facility	32,654	-	-	663,534
Supplies	-	-	-	594,788
Travel	-	-	-	78,933
Client services	-	-	-	2,181,646
Contractual and professional services	2,780	-	-	509,275
Rentals and leases	-	-	-	16,425
Insurance	-	-	-	142,887
Depreciation	9,760	-	-	808,335
Other	5,119	1,230	-	695,261
Total operating expenses	\$ 69,383	\$ 1,230	\$ -	\$ 19,284,440
Operating income (loss)	\$ (69,383)	\$ (1,230)	\$ -	\$ (10,625,413)
Nonoperating revenues (expenses):				
Commonwealth of Virginia grants	\$ -	\$ -	\$ -	\$ 8,531,096
Federal grants	-	-	-	1,547,081
Contributions from participating local governments	-	-	-	733,594
Interest income	34	1	-	333,213
Rental income	45,347	-	-	283,155
Gain on sale of assets	-	-	-	(19,838)
Other	20,000	376	-	102,931
Total nonoperating revenues (expenses)	\$ 65,381	\$ 377	\$ -	\$ 11,511,232
Change in net position	\$ (4,002)	\$ (853)	\$ -	\$ 885,819
Net position, beginning of year	119,481	2,020	-	13,994,059
Net position, end of year	\$ 115,479	\$ 1,167	\$ -	\$ 14,879,878

SOUTHSIDE BEHAVIORAL HEALTH
**Combining Statement of Cash Flows
Year Ended June 30, 2025**

	Southside Behavioral Health	Alberta Manor, Inc.	Gateway - Halifax Apartments, Inc.	Brandon Homes, Inc.
Cash flows from operating activities:				
Receipts from clients, private insurers, Medicaid, and others	\$ 8,496,656	\$ -	\$ (13,367)	\$ -
Payments to suppliers	(4,754,147)	11,322	(2,521)	(11,661)
Payments to and for employees	(14,131,903)	(34,406)	(39,920)	-
Net cash flows provided by (used for) operating activities	<u>\$ (10,389,394)</u>	<u>\$ (23,084)</u>	<u>\$ (55,808)</u>	<u>\$ (11,661)</u>
Cash flows from noncapital financing activities:				
Contributions from local, state, and federal government	\$ 10,336,304	\$ -	\$ -	\$ -
Other receipts (expenses)	43,670	69,020	65,142	7,604
Net cash flows provided by (used for) noncapital financial activities	<u>\$ 10,379,974</u>	<u>\$ 69,020</u>	<u>\$ 65,142</u>	<u>\$ 7,604</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (357,379)	\$ (59,725)	\$ (26,325)	\$ -
New lease and subscription liabilities	-	-	-	-
Principal payments on lease liabilities	(57,842)	-	-	-
Principal payments on subscription liabilities	(219,327)	-	-	-
Net cash flows provided by (used for) capital and related financing activities	<u>\$ (634,548)</u>	<u>\$ (59,725)</u>	<u>\$ (26,325)</u>	<u>\$ -</u>
Cash flows from investing activities:				
Interest income	\$ 333,133	\$ 26	\$ 12	\$ 7
Net increase (decrease) in cash and cash equivalents	<u>\$ (310,835)</u>	<u>\$ (13,763)</u>	<u>\$ (16,979)</u>	<u>\$ (4,050)</u>
Cash and cash equivalents, beginning of year	<u>9,443,473</u>	<u>37,444</u>	<u>33,157</u>	<u>8,956</u>
Cash and cash equivalents, end of year	<u><u>\$ 9,132,638</u></u>	<u><u>\$ 23,681</u></u>	<u><u>\$ 16,178</u></u>	<u><u>\$ 4,906</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (10,332,736)	\$ (114,558)	\$ (83,416)	\$ (24,090)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	754,547	30,824	5,009	8,195
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable, net	(3,725)	-	(13,367)	-
Other receivables	(158,646)	-	-	-
Prepaid expenses and other	123,090	-	-	-
Deferred outflows of resources - pension related	(316,011)	-	-	-
Deferred outflows of resources - OPEB related	(10,059)	-	-	-
Accounts payable	46,629	60,193	36,239	4,834
Accrued payroll and related liabilities	36,680	-	-	-
Other liabilities	39	457	(273)	(600)
Compensated absences	(33,738)	-	-	-
Net pension asset	(235,269)	-	-	-
Net OPEB asset	(21,545)	-	-	-
Net OPEB liability	(18,118)	-	-	-
Deferred inflows of resources - pension related	(211,067)	-	-	-
Deferred inflows of resources - OPEB related	(9,465)	-	-	-
Cash flows provided by (used for) operating activities	<u><u>\$ (10,389,394)</u></u>	<u><u>\$ (23,084)</u></u>	<u><u>\$ (55,808)</u></u>	<u><u>\$ (11,661)</u></u>
Noncash capital activities:				
Capital assets acquired through leases and subscriptions	\$ (415,007)	\$ -	\$ -	\$ -

SOUTHSIDE BEHAVIORAL HEALTH

**Combining Statement of Cash Flows
Year Ended June 30, 2025 (Continued)**

	MARC of Virginia, Inc.	Southside Behavioral Health System Inc.	Inter- Company Eliminations	Total
Cash flows from operating activities:				
Receipts from clients, private insurers, Medicaid, and others	\$ -	\$ -	\$ -	\$ 8,483,289
Payments to suppliers	(12,492)	(2,741)	-	(4,772,240)
Payments to and for employees	(19,070)	-	-	(14,225,299)
Net cash flows provided by (used for) operating activities	<u>\$ (31,562)</u>	<u>\$ (2,741)</u>	<u>\$ -</u>	<u>\$ (10,514,250)</u>
Cash flows from noncapital financing activities:				
Contributions from local, state, and federal government	\$ -	\$ -	\$ -	\$ 10,336,304
Other receipts (expenses)	65,347	376	-	251,159
Net cash flows provided by (used for) noncapital financial activities	<u>\$ 65,347</u>	<u>\$ 376</u>	<u>\$ -</u>	<u>\$ 10,587,463</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (25,518)	\$ -	\$ -	\$ (468,947)
Long-term debt proceeds	-	-	-	-
Principal payments on lease liabilities	-	-	-	(57,842)
Principal payments on subscription liabilities	-	-	-	(219,327)
Net cash flows provided by (used for) capital and related financing activities	<u>\$ (25,518)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (746,116)</u>
Cash flows from investing activities:				
Interest income	\$ 34	\$ 1	\$ -	\$ 333,213
Net increase (decrease) in cash and cash equivalents	<u>\$ 8,301</u>	<u>\$ (2,364)</u>	<u>\$ -</u>	<u>\$ (339,690)</u>
Cash and cash equivalents, beginning of year	<u>28,351</u>	<u>3,531</u>	<u>-</u>	<u>9,554,912</u>
Cash and cash equivalents, end of year	<u><u>\$ 36,652</u></u>	<u><u>\$ 1,167</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,215,222</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (69,383)	\$ (1,230)	\$ -	\$ (10,625,413)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	9,760	-	-	808,335
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable, net	-	-	-	(17,092)
Other receivables	-	-	-	(158,646)
Prepaid expenses and other	-	-	-	123,090
Deferred outflows of resources - pension related	-	-	-	(316,011)
Deferred outflows of resources - OPEB related	-	-	-	(10,059)
Accounts payable	28,714	(1,511)	-	175,098
Accrued payroll and related liabilities	-	-	-	36,680
Other liabilities	(653)	-	-	(1,030)
Compensated absences	-	-	-	(33,738)
Net pension asset	-	-	-	(235,269)
Net OPEB asset	-	-	-	(21,545)
Net OPEB liability	-	-	-	(18,118)
Deferred inflows of resources - pension related	-	-	-	(211,067)
Deferred inflows of resources - OPEB related	-	-	-	(9,465)
Cash flows provided by (used for) operating activities	<u><u>\$ (31,562)</u></u>	<u><u>\$ (2,741)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (10,514,250)</u></u>
Noncash capital activities:				
Capital assets acquired through leases and subscriptions	\$ -	\$ -	\$ -	\$ (415,007)

SOUTHSIDE BEHAVIORAL HEALTH

**SCHEDULE OF INSURANCE
Year Ended June 30, 2025**

Insurance Coverage	Insurance Co./ Agent/Policy	Policy Period	Limits of Liability	Ded.	Annual Premium
Automobile Liability & Physical Damage	Co: VACorp Ag: Contr.#: VA-SO-084A-25	7/1/24-25	BI/PD Uninsured Motorist Medical Payments Comprehensive Collision	\$ 2,000,000 \$ 1,000 \$	27,797
Crime	Co: VaCorp Ag: Contr.#: VA-SO-084A-25	7/1/24-25	Employee Dishonesty Money/Securities Money Orders Forgery or Alteration	250,000 250	750
Electronic Data Processing Cyber Risk	Co: VACorp Ag: Contr.#: VA-SO-084A-25	7/1/24-25	Cyber Risk	1,000,000 0	6,000
Public Officials Liability D & O	Co: VACorp Ag: Contr.#: VA-SO-084A-25	7/1/24-25	Occurance Aggregate	1,000,000 Unlimited 1,000	4,538
Property - SBH	Co: VACorp Ag: Contr.#: VA-SO-084A-25	7/1/24-25	Real Property Personal Property General Aggregate	16,809,296 832,229 2,000,000 1,000 1,000	24,488
General Liability	Co: VACorp Ag: Contr.#: VA-SO-084A-25	7/1/24-25	Per Occurance Includes Medical Malp.	2,000,000 0	11,720
Umbrella Excess	Co: VACorp Contr.#: VA-SO-084A-25	7/1/24-25	Excess Gen.Liability Environmental Liab.	1,000,000 1,000,000 per incid.	567
Equipment	Co: VACorp Ag: Contr.#: VA-SO-084A-25	7/1/24-25	Limit per breakdown Inland Marine	100,000,000 1,000	2,063 7
Workers' Compensation	Co: VACorp Ag: Contr.#: VA-SO-084A-25	7/1/24-25	Each Accident Policy Limit-Disease Each Employee-Disease	1,000,000 - 1,000,000 - 1,000,000 -	57,497
Sub Total	VACorp SBH only		subtotal	\$	135,427
Property Ashley Manor (HUD)	Co: VACorp Ag: Contr.#: VA-SO-084A-25	7/1/24-25	Real Property Personal Property	354,000 32,000 1,000,000 2,000,000 1,000 1,000	460
Property Brandon Home (HUD)	Co: VACorp Ag: Contr.#: VA-SO-084A-25	7/1/24-25	Real Property Personal Property	224,992 30,900 1,000,000 2,000,000 1,000 1,000	293
Property Gateway-Halifax (HUD)	Co: VACorp Ag: Contr.#: VA-SO-084A-25	7/1/24-25	Real Property Personal Property	799,528 16,832 1,000,000 2,000,000 1,000 1,000	1,033
Property Alberta Manor (HUD)	Co: VACorp Ag: Contr.#: VA-SO-084A-25	7/1/24-25	Real Property Personal Property	1,101,380 20,579 1,000,000 2,000,000 1,000 1,000	1,422
Sub Total	VACorp HUD only		subtotal		3,208
				TOTAL	138,635

Compliance



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

**To the Board of Directors
Southside Behavioral Health
Clarksville, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Southside Behavioral Health, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Southside Behavioral Health's basic financial statements, and have issued our report thereon dated December 5, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 5, 2025



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

**To the Board of Directors
Southside Behavioral Health
Clarksville, Virginia**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southside Behavioral Health's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southside Behavioral Health's major federal programs for the year ended June 30, 2025. Southside Behavioral Health's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Southside Behavioral Health complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Southside Behavioral Health's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Southside Behavioral Health's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Southside Behavioral Health's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance: (Continued)

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

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

December 5, 2025

SOUTHSIDE BEHAVIORAL HEALTH

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
Department of the Treasury:			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	\$ <u>125,537</u>
Department of Health and Human Services:			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Not available	\$ 42,257
Opioid STR	93.788	5H79TI080220	386,763
Block Grants for Community Mental Health Services	93.958	2B09SM010053	177,578
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010053	<u>744,056</u>
Total Department of Health and Human Services			\$ <u>1,350,654</u>
Department of Education:			
Pass-through payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Special Education - Grants for Infants and Families	84.181	Not available	\$ <u>70,890</u>
Total Department of Education			\$ <u>70,890</u>
Total Expenditures of Federal Awards			\$ <u><u>1,547,081</u></u>

Notes to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Southside Behavioral Health under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Southside Behavioral Health, it is not intended to and does not present the financial position, changes in net position, or cash flows of Southside Behavioral Health.

Note B - Summary of Significant Accounting Policies

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

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

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - De Minimis Cost Rate

The Board did not elect to use the 15-percent de minimis indirect cost rate under Uniform Guidance.

Note E - Loan Balances

The Board has no loan guarantees which are subject to reporting requirements for the current year.

SOUTHSIDE BEHAVIORAL HEALTH

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

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
Identification of major programs:	
Assistance	
<u>Listing</u> <u>Name of Federal Program or Cluster</u>	
93.959 Block Grants for Prevention and Treatment of Substance Abuse	
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

SOUTHSIDE BEHAVIORAL HEALTH

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

There were no prior year findings.