



Financial Report

June 30, 2024

New River Valley Community Services

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Introductory Section



New River Valley Community Services

Directory of Principal Officials

June 30, 2024

Board of Directors

Anthony Akers – Chair
Cheri Warburton – Vice-Chair

Linda Millsaps
Sara Bohn
Kelly Edmonson
Richard Chidester
Sally McCarthy
Judy Diggs

Emily Hite
Jason Buckland
Susan Richardson
Bobby Davis
Jerry Boothe

Principal Management Team

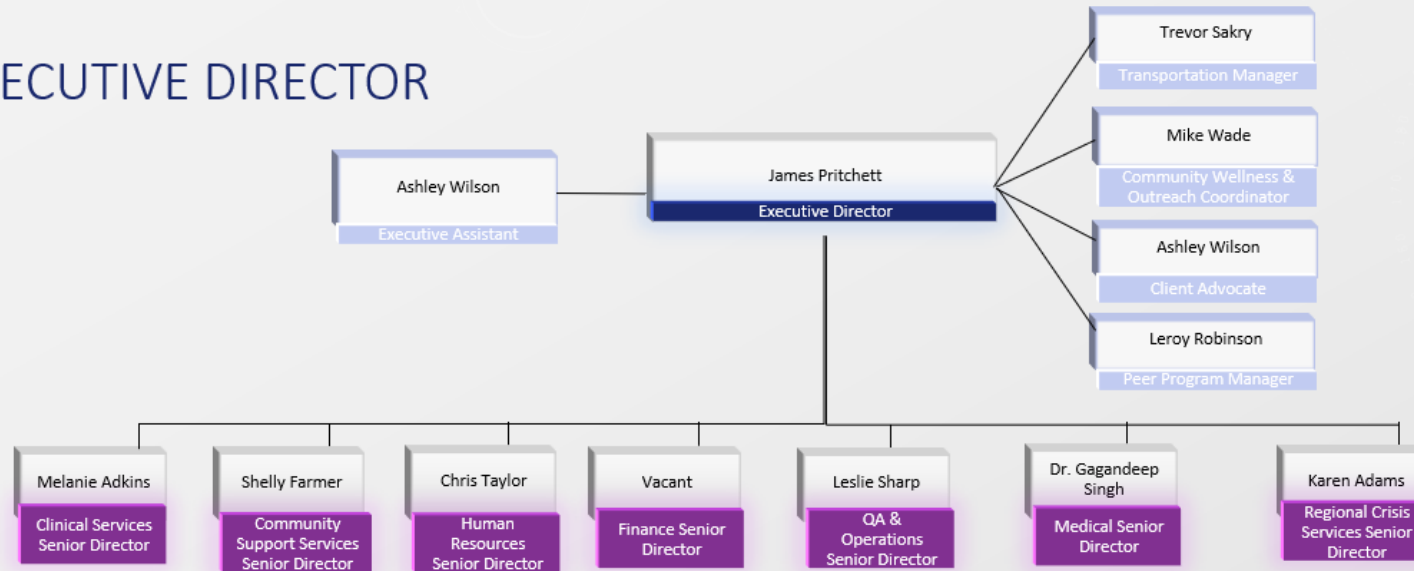
James Pritchett	Executive Director
Vacant	Finance Senior Director
Melanie Adkins.....	Clinical Services Senior Director
Shelly Farmer	Community Support Services Senior Director
Gagandeep Singh, M.D.	Medical Director
Leslie Sharp	Quality Assurance and Operations Senior Director
Chris Taylor	Human Resources Senior Director
Karen Adams	Regional Crisis Services Senior Director

New River Valley Community Services

Organizational Chart

June 30, 2024

EXECUTIVE DIRECTOR



■ Senior Directors
■ Supervisees



Financial Section

The Financial Section contains the
Basic Financial Statements.

Independent Auditor's Report

To the Board of Directors
New River Valley Community Services
Blacksburg, Virginia

Report on the Audit of the Financial Statements

Opinion

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency'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 other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management

about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Report on Summarized Comparative Information

We have previously audited the Agency's 2023 financial statements, and our report dated December 5, 2023 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented therein for the year ended June 30, 2023 is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2025 on our consideration of the Agency'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 the Agency'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 the Agency's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
July 2, 2025

NEW RIVER VALLEY COMMUNITY SERVICES

Management's Discussion and Analysis Year Ended June 30, 2024

The management team of New River Valley Community Services (NRVCS) presents the readers of its financial report this discussion and analysis of the financial activities for the fiscal year ended June 30, 2024.

Following this overview are the NRVCS financial statements together with the accompanying notes which are essential to a full understanding of NRVCS' financial position. In addition, there is certain required supplementary information, combining financial statements and a compliance section included in this report. The combining financial statements show the extent to which NRVCS' component unit, Mountain Empire Services, contributes to the overall financial position of NRVCS. This Management's Discussion and Analysis focuses solely on NRVCS, excluding activity of the blended component unit Mountain Empire Services.

NRVCS FINANCIAL HIGHLIGHTS

REVENUES

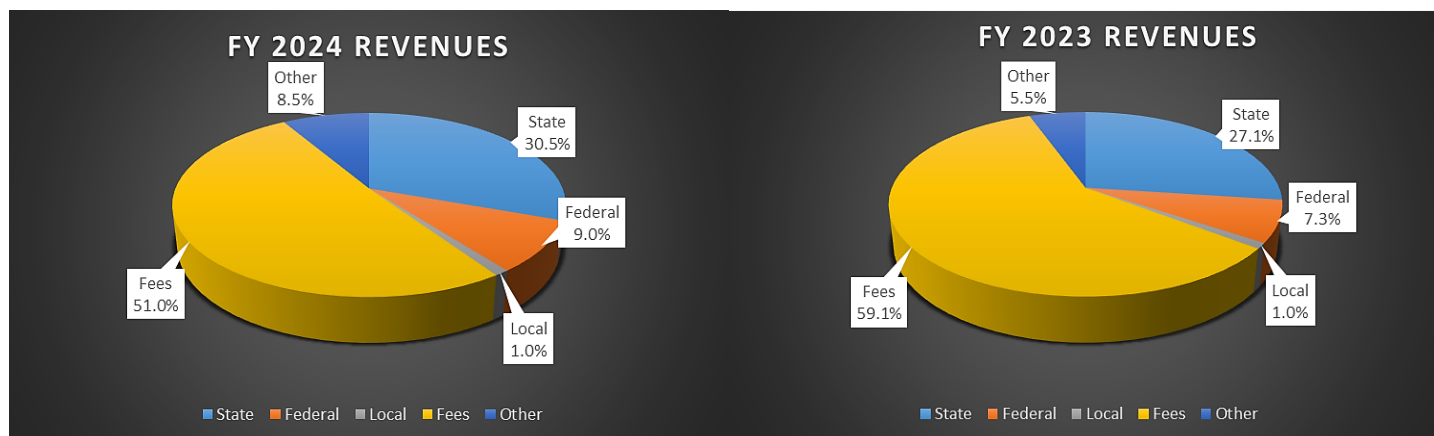
Sources of NRVCS revenues from fiscal year 2024 compared with the prior year are as follows:

	FY 2024	FY 2023	Percent Change	Amount Change
Charges for Services, net	\$ 36,917,854	\$ 38,829,332	(4.9%)	\$ (1,911,478)
Commonwealth of Virginia	22,136,448	17,789,181	24.4%	4,347,267
Federal Government	6,553,783	4,823,905	35.9%	1,729,878
Local Governments	747,300	680,532	9.8%	66,768
Other Revenue	6,168,452	3,630,968	69.9%	2,537,484
Total Revenues	<u>\$ 72,523,837</u>	<u>\$ 65,753,918</u>	<u>10.3%</u>	<u>\$ 6,769,919</u>

Total revenues increased by \$6,769,919 or 10.3% due to:

- Charges for Services decreased \$1,911,478 due to staff vacancies.
- State funds increased \$4,347,267 due to:
 - \$1,728,958 increase in state general funds.
 - \$180,564 increase in Crisis Intervention Team funding to compensate for increases in law enforcement contracts.
 - \$1,026,080 increase in REACH funding due to the purchase of the REACH CTH building.
 - \$1,641,981 increase in Step-VA funding associated with regional mobile crisis.
- Federal funds increased \$1,729,878 due to:
 - Mental Health Block Grant funding increased \$1,218,303 due to new ARPA funding for the Marcus Alert Program and ARPA funding for Regional Mobile Crisis.
 - MH State & Local Recovery funds increased \$984,578 mainly for Mobile Crisis Projects.
 - Project Link and Youth ARPA fundings decreased \$281,811 due to timing of revenue payments.
- Local government funding increased \$66,768 as localities are striving to meet the required 10% match.
- Other funds increased \$2,537,484 related to \$728,660 in administrative fee revenues in line with the increase in federal reimbursement funding. Additionally, there was a \$908,309 offsetting adjustment related to the GASB 87 lease implementation. The LGIP interest income increased \$373,625.

The following charts show the major revenue sources and the percentage of total revenues for the fiscal years ended June 30, 2024 and 2023.



A summary of revenues for the fiscal years ended June 30, 2024 and 2023 is as follows:

	FY 2024	Percent of Total	FY 2023	Percent of Total
State	\$ 22,136,448	30.5%	\$ 17,789,181	27.1%
Federal	6,553,783	9.0%	4,823,905	7.3%
Local	747,300	1.0%	680,532	1.0%
Fees	36,917,854	51.0%	38,829,332	59.1%
Other	6,168,452	8.5%	3,630,968	5.5%
TOTAL	\$ 72,523,837	100.0%	\$ 65,753,918	100.0%

EXPENSES

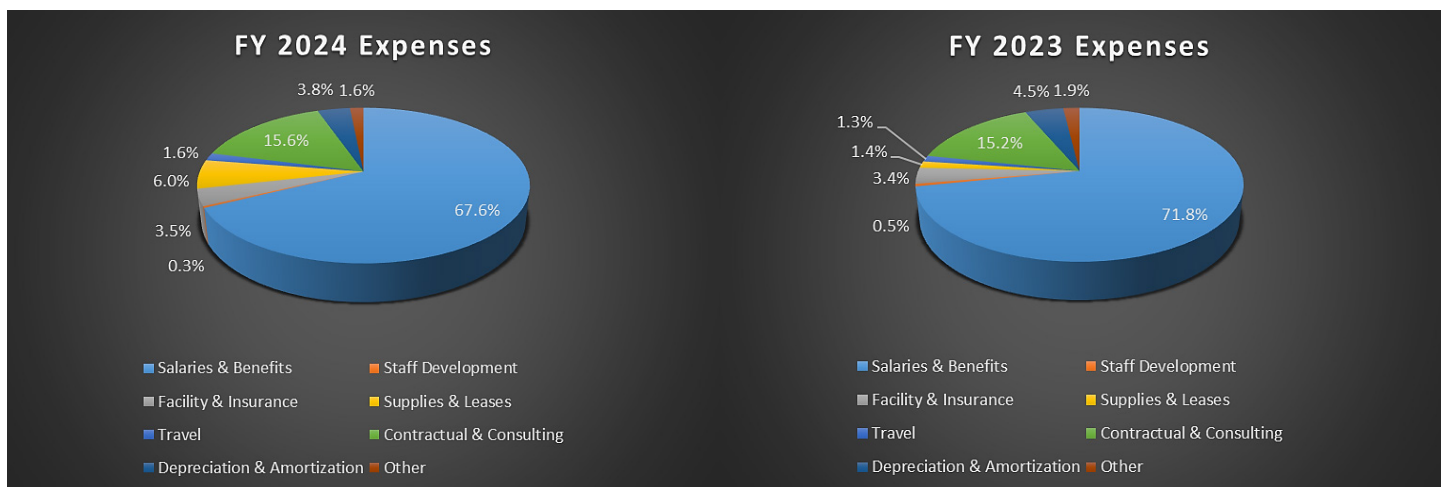
Categories of NRVCS expenses for fiscal year 2024 compared with the prior year are as follows:

	FY 2024	Percent of Total	FY 2023	Percent of Total
Salaries & Benefits	\$ 46,947,936	67.6%	\$ 42,041,573	71.8%
Staff Development	216,872	0.3%	265,801	0.5%
Facility & Insurance	2,426,584	3.5%	2,004,197	3.4%
Supplies & Leases	4,139,306	6.0%	839,955	1.4%
Travel	1,148,417	1.6%	784,244	1.3%
Contractual & Consulting	10,823,143	15.6%	8,877,106	15.2%
Depreciation & Amortization	2,607,352	3.8%	2,623,094	4.5%
Other	1,082,961	1.6%	1,125,204	1.9%
Total Expenses	\$ 69,392,571	100.0%	\$ 58,561,174	100.0%

Total expenses increased \$10,831,397 or 18.5% primarily due to the following:

- Salary and benefits increased \$4,906,363 or 11.7%. Staff received a 3% COLA in July 2023 (FY24). Additional grant funding and the addition of new programs led to a greater need for staff members and their time.
- Staff Development decreased slightly, \$48,929 due to required regional training associated with a new funding stream for peer and family support that occurred in the prior year not present in the current year.
- Facility & Insurance increased \$422,387 mainly due renovations to the Roanoke St building, which includes asbestos and demolition costs.
- Supplies & Leases increased \$3,299,351 due to the consulting contracts for the Oracle implementation and a new budgeting system and increasing IT maintenance costs which include upgrades to network security features.
- Travel increased \$364,173 mainly due to increases in mileage and maintenance costs.
- Contractual & Consulting increased \$1,946,037 due to an increase in administrative fees in relation to the increase in federal funding reimbursements. Additionally, the REACH Mobile Crisis program provided contracted services to other Community Service Boards in the region.

The following charts show the major expense categories and the percentage of total expenses for the fiscal years ended June 30, 2024 and 2023.



A summary of expenses for the fiscal years ended June 30, 2024 and 2023 is as follows:

	FY 2024	FY 2023	Percent Change	Amount Change
Salaries and Benefits	\$ 46,947,936	\$ 42,041,573	11.7%	\$ 4,906,363
Staff Development	216,872	265,801	(18.4%)	(48,929)
Facility & Insurance	2,426,584	2,004,197	21.1%	422,387
Supplies & Leases	4,139,306	839,955	392.8%	3,299,351
Travel	1,148,417	784,244	46.4%	364,173
Contractual and Consulting	10,823,143	8,877,106	21.9%	1,946,037
Depreciation & Amortization	2,607,352	2,623,094	(0.6%)	(15,742)
Other	1,082,961	1,125,204	(3.8%)	(42,243)
Total Expenses	\$ 69,392,571	\$ 58,561,174	18.5%	\$ 10,831,397

NET POSITION

The following table shows the change in net position for fiscal year 2024 compared to the prior year.

	FY 2024	FY 2023
Operating Revenues	\$ 36,917,854	\$ 38,829,332
Non-operating Revenue	35,605,983	26,924,586
Operating Expenses	(69,017,307)	(58,155,544)
Non-operating Expenses	(375,264)	(405,630)
Change in Net Position	\$ 3,131,266	\$ 7,192,744

The Statement of Net Position serves over time as a useful indicator of NRVCS's financial position. NRVCS' total net position was \$30,533,983 on June 30, 2024 and \$27,402,717 on June 30, 2023. A summary of the NRVCS Statement of Net Position on June 30, 2024 and June 30, 2023 is as follows:

	FY 2024	FY 2023	Difference
ASSETS:			
Current assets	\$ 42,287,884	\$ 33,404,949	\$ 8,882,935
Restricted current assets	573,859	585,025	(11,166)
Noncurrent assets	30,508,060	28,715,670	1,792,390
Total Assets	73,369,803	62,705,644	10,664,159
Deferred Outflows of Resources	273,428	4,906,177	(4,632,749)
LIABILITIES AND NET POSITION:			
Current liabilities	32,551,209	23,384,076	9,167,133
Noncurrent liabilities	8,090,980	10,201,251	(2,110,271)
Total Liabilities	40,642,189	33,585,327	7,056,862
Deferred Inflows of Resources	2,467,059	6,623,777	(4,156,718)
NET POSITION	\$ 30,533,983	\$ 27,402,717	\$ 3,131,266

Current assets increased \$8,882,935 mainly due to a corresponding increase in cash. See the Statement of Cash Flows.

Restricted current assets consist of the conserved funds we maintain as representative payee for approximately 230 clients and the flexible spending account (FSA) for staff. Payee funds decreased by \$8,982 and FSA funds decreased by \$2,184.

Noncurrent assets increased \$1,792,390 due to capital assets decreasing \$642,965 from the net effect of current year depreciation and amortization and current year additions and disposals (see note 4) and an offsetting increase of \$2,435,355 million in net pension asset (see note 8).

Deferred Outflows of Resources decreased \$4,632,749 and Deferred Inflow of Resources decreased \$4,156,718 due to ongoing market fluctuations impacting VRS investment income.

Total liabilities increased \$7 million due to deferred revenue increases in line with increase in state funding, mainly related to the STEP VA and Permanent Supportive Housing Programs.

FINANCIAL STATEMENTS

NRVCS' financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

REQUEST FOR INFORMATION

This financial report is intended to provide a general overview of NRVCS' financial position for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Senior Director of Finance, New River Valley Community Services, 700 University City Boulevard, Blacksburg, Virginia 24060.



Basic Financial Statements

New River Valley Community Services

Statement of Net Position

June 30, 2024

		(For Comparative Purposes Only)
	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 38,212,674	\$ 30,742,141
Accounts receivable, net (Note 3)	4,884,970	3,347,885
Lease receivable (Note 1)	127,017	148,136
Other receivables	169	1,861
Prepaid expenses and other	35,448	43,193
Cash and cash equivalents, restricted for clients or employees (Note 2)	573,859	585,025
Total current assets	43,834,137	34,868,241
NONCURRENT ASSETS		
Net pension asset (Note 8)	14,567,827	12,132,472
Capital assets, net (Note 4)	21,656,450	22,513,163
Total noncurrent assets	36,224,277	34,645,635
Total assets	80,058,414	69,513,876
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows (Note 8)	273,428	4,906,177
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,455,186	817,030
Accrued payroll and related liabilities	2,920,742	1,933,117
Accrued interest	30,272	27,190
Unearned revenue (Note 6)	23,653,151	16,222,450
Amounts held for clients, payable from restricted assets	540,872	549,854
Other current liabilities	2,286	-
Noncurrent liabilities due within one year (Note 5)	4,023,068	3,900,208
Total current liabilities	32,625,577	23,449,849
NONCURRENT LIABILITIES		
Other noncurrent liabilities due in more than one year (Notes 5 and 7)	11,562,887	13,718,575
Total liabilities	44,188,464	37,168,424
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows (Note 8)	2,340,042	6,475,641
Deferral inflow lease rents (Note 1)	127,017	148,136
Total deferred inflows of resources	2,467,059	6,623,777
NET POSITION		
Net investment in capital assets	8,892,127	7,563,632
Restricted – net pension asset	14,567,827	12,132,472
Unrestricted	10,216,365	10,931,748
Total net position	\$ 33,676,319	\$ 30,627,852

New River Valley Community Services

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

	2024	(For Comparative Purposes Only) 2023
OPERATING REVENUES		
Net client service revenue (Note 9)	\$ 36,917,854	\$ 38,829,332
OPERATING EXPENSES		
Salaries and benefits	46,947,936	42,041,573
Staff development and recruitment	216,872	265,801
Facility	2,360,645	1,856,827
Supplies	3,647,113	294,310
Travel	1,148,417	784,244
Contractual and professional services	10,871,543	9,179,943
Leases	3,974	4,532
Insurance	148,364	205,298
Depreciation and amortization	2,821,101	2,857,279
Other	707,697	724,707
Total operating expenses	68,873,662	58,214,514
Operating loss	(31,955,808)	(19,385,182)
NONOPERATING REVENUES (EXPENSES)		
Commonwealth of Virginia grants	22,136,448	17,789,181
Federal grants	6,553,783	4,823,905
Contributions from participating local governments (Note 10)	747,300	680,532
Interest income	1,351,268	977,643
Interest expense	(619,765)	(607,130)
Other income (Note 11)	4,963,724	2,598,039
Rental income	16,212	-
Gain (loss) on sale of capital assets	(144,695)	55,286
Net nonoperating revenues	35,004,275	26,317,456
Change in net position	3,048,467	6,932,274
NET POSITION AT JULY 1	30,627,852	23,695,578
NET POSITION AT JUNE 30	<u>\$ 33,676,319</u>	<u>\$ 30,627,852</u>

New River Valley Community Services

Statement of Cash Flows

Year Ended June 30, 2024

		(For Comparative Purposes Only)
	2024	2023
OPERATING ACTIVITIES		
Receipts from clients, private insurers, Medicaid, and others	\$ 35,380,769	\$ 38,485,131
Payments to suppliers	(18,453,466)	(13,156,549)
Payments to employees	(47,746,136)	(42,978,219)
Other (payments) receipts	(10,262)	38,442
Net cash used in operating activities	(30,829,095)	(17,611,195)
NON-CAPITAL FINANCING ACTIVITIES		
Contributions from local, state, and federal governments	36,868,232	23,315,576
Other receipts	4,963,724	2,598,039
Net cash provided by non-capital financing activities	41,831,956	25,913,615
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,369,992)	(3,627,873)
Proceeds from the sale of capital assets	260,910	55,286
Proceeds from issuance of long-term debt and line of credit	-	3,601,353
Net payments on line of credit	-	(3,593,130)
Principal paid on debt	(2,185,208)	(1,904,079)
Interest paid on debt	(616,684)	(583,330)
Net cash used in capital and related financing activities	(4,910,974)	(6,051,773)
INVESTING ACTIVITIES		
Rent received	16,212	-
Interest income	1,351,268	977,643
Net cash provided by investing activities	1,367,480	977,643
Net increase in cash and cash equivalents	7,459,367	3,228,290
CASH AND CASH EQUIVALENTS		
Beginning at July 1	31,327,166	28,098,876
Ending at June 30	<u><u>\$ 38,786,533</u></u>	<u><u>\$ 31,327,166</u></u>
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 38,212,674	\$ 30,742,141
Cash and cash equivalents, restricted for clients	573,859	585,025
	<u><u>\$ 38,786,533</u></u>	<u><u>\$ 31,327,166</u></u>

New River Valley Community Services

Statement of Cash Flows

Year Ended June 30, 2024

		(For Comparative Purposes Only)
	2024	2023
RECONCILIATION OF OPERATING LOSS TO NET		
CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (31,955,808)	\$ (19,385,182)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	2,821,101	2,857,279
Pension expense less pension contributions, net	(1,938,205)	(1,142,345)
Decrease (increase) in:		
Accounts receivable, net	(1,537,085)	(344,201)
Other receivables	(1,280)	(1,861)
Prepaid expenses and other	7,745	84,321
Increase (decrease) in:		
Accounts payable	641,128	74,792
Accrued payroll and related liabilities	987,625	(25,142)
Other payable	2,286	(7,057)
Compensated absences	152,380	230,841
Amounts held for clients, payable from restricted assets	(8,982)	47,360
Net cash used in operating activities	<u><u>\$ (30,829,095)</u></u>	<u><u>\$ (17,611,195)</u></u>

New River Valley Community Services

Notes to Financial Statements

June 30, 2024

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

New River Valley Community Services (the “Agency”) is a jointly governed entity that operates as an agent for the Counties of Montgomery, Pulaski, Floyd, and Giles, and the City of Radford, Virginia, 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), relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the Agency provides treatment for community mental health disorders, developmental disabilities, and substance use disorders with a system of services that relates to, and is integrated with, existing and planned programs. Substantially all of the entity’s funding is from service fees, the Commonwealth of Virginia, the Federal Government, and the aforementioned localities.

Blended Component Unit

Mountain Empire Services of the Southwest, Inc. (MES) was established to hold title to certain real property on behalf of the Agency.

Although legally a separate entity, MES is, in substance, part of the Agency’s operations, and all property held by MES is utilized by the Agency. Financial information from this unit is combined with the financial statements of the Agency as a blended component unit. MES and New River Valley Community Services are collectively referred to herein as the “Agency.” Rents charged by MES to New River Valley Community Services and any other intercompany amounts are eliminated from the accompanying financial statements.

Measurement Focus and Basis of Accounting

The Agency is a governmental health care entity and follows the accounting and reporting practices of the Governmental Accounting Standards Board. The Agency’s financial statements consist of a single enterprise fund, which includes the blended component unit 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 Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Agency’s principal ongoing operations. The principal operating revenues of the Agency 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 Agency. 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 Agency’s policy to use restricted resources first.

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 the conditions and

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factors change. Key factors that affect this calculation for the Agency are delays in collections from third parties, the need to rebill 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.

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.

Investments

Investments are stated at fair value. The reported value of the state-sponsored investment pool is the same as the fair value of the pooled shares.

Accounts Receivable

Revenue and related receivables are recorded at the Agency's full established rates, less allowances for doubtful accounts. Amounts collectible from third-party payors are usually less than the Agency's full established rates, and are generally determined by contractual agreements with the third-party payor (e.g., Medicaid). Management estimates the allowance for doubtful accounts using historical collection data and the aging of accounts receivable. Accounts that management believes to be ultimately not collectible are written off upon such determination.

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.

Financial Assistance

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

Other Receivables

Other receivables consist primarily of amounts due from contract and program billings to other entities.

Capital Assets

Capital assets include property and equipment with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at date of donation. The costs of normal maintenance and repairs that do not materially add to the value of an asset or its life are expensed.

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Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Furniture and equipment	3-7 years
Vehicles	5 years

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

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or useful life of the underlying capital IT asset.

Compensated Absences

Employees are entitled to certain compensated absences based upon length of employment. Paid time off vests with the employee at rates based on years of service. A provision for these vested compensated absences has been recorded in the financial statements.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement that presents net position reports a separate section for deferred outflows of resources. These items represents a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. The Agency has two items that qualify for reporting in this category. The first is contributions subsequent to the measurement date for pensions, which will be applied to the net pension asset in the next fiscal year. The second is the difference between actual and expected experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over the estimated remaining service life of employees subject to the plan.

In addition to liabilities, the statement that presents financial position reports a separate section for deferred inflows of resources. These items represents an acquisition of net assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Agency has two types of items that qualify for reporting in this category. The first is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five-year period. The second is the difference between actual and expected experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over the estimated remaining service life of employees subject to the plan.

Lease-related amounts are recognized at the inception of leases in which the Agency is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received

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from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Unearned Revenue

Unearned revenue represents amounts for which asset recognition criteria has been met but for which revenue recognition criteria have not been met. Unearned revenue is comprised of state and federal funds with purpose and, also typically, time restrictions. 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.

Income Taxes

Mountain Empire Services of the Southwest, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the *Internal Revenue Code*. New River Valley Community Services is exempt from such taxes as a governmental entity. Accordingly, the accompanying financial statements do not reflect a provision for income taxes.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the prior year from which the summarized information was derived.

Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

Subscription-Based Information Technology Arrangements

The Agency has SBITAs for various software platforms for periods expiring between June 2027 and July 2032. The Agency uses its estimated incremental borrowing rate as the discount rate as the subscription arrangement does not explicitly state an interest rate. The value of the right-to-use subscription asset and related accumulated amortization as of year end are disclosed in Note 4. The related liability as well as principal and interest requirements to maturity are disclosed in Note 5.

Leases

Key estimates and judgments include how the Agency determines (1) the discount rate it uses to discount the expected lease receipts and/or payments to present value, (2) lease term, and (3) lease receipts and/or payments.

- The Agency uses an estimated incremental borrowing rate as the discount rate for lease.

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- The lease term includes the noncancellable periods of the lease. Lease receipts and payments are included in the measurement of the lease receivable or liability, respectively, and are composed of fixed payments.
- The Agency monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure if certain changes occur that are expected to significantly affect the amount of the lease receivable or liability.

Right-of-Use Lease Asset and Related Lease Liability

The Agency is a lessee for noncancellable leases of buildings and equipment. The Agency recognized an intangible right-to-use asset (lease asset) and a related lease liability on the financial statements. At the commencement of a lease, the Agency initially measures a lease liability at the present value of payments expected to be made during the lease period. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain direct costs. Subsequent to the initial measurement and recognition, the lease asset is amortized on a straight-line basis over its useful life.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt in the statement of net position.

Note 2 – Deposits and Investments

Deposits

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

Investments

Statutes authorize the Agency 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 and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the Agency nor its blended component unit has an investment policy for custodial credit risk. The Agency’s investments at June 30, 2024 were held in the Agency’s name by the Agency’s custodial bank. The LGIP is not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form.

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Credit Risk of Debt Securities

The Agency's rated debt investments as of June 30, 2024 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

Agency's Rated Debt Investments' Values		
Rated Debt Investments	Quality Ratings	Value
LGIP	AAAf	\$ 22,649,639

The fair value of the positions in the LGIP is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Concentration of Credit Risk

The Agency does not have an investment policy regarding the concentration of credit risk.

Interest Rate Risk

The Agency's investment policy does not address interest rate risk, but at June 30, the Agency only had investments with LGIP.

The Agency's deposits and investments consist of the following at June 30:

Deposits and investments	
Deposits	\$ 16,136,894
Investments	22,649,639
	<u>\$ 38,786,533</u>
Statement of net position	
Cash and cash equivalents	\$ 38,212,674
Cash and cash equivalents, restricted for clients and employees	573,859
	<u>\$ 38,786,533</u>

The Agency reports as restricted cash those funds held on behalf of clients or employees. Such amounts are not available to be used for the Agency's operations.

Note 3 – Accounts Receivable

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	\$ 1,889,159
Direct client	958,845
Third-party insurers and other	2,726,966
	<u>5,574,970</u>
Allowance for uncollectible accounts	(690,000)
	<u>\$ 4,884,970</u>

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Note 4 – Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable				
Land	\$ 1,282,774	\$ 82,940	\$ (58,200)	\$ 1,307,514
Construction in progress	1,338,348	229,759	(1,338,348)	229,759
Capital assets, nondepreciable	2,621,122	312,699	(1,396,548)	1,537,273
Capital assets, depreciable				
Building and improvements	11,032,385	2,208,583	(336,741)	12,904,227
Furniture and equipment	2,119,678	-	-	2,119,678
Vehicles	5,099,170	1,446,937	(735,004)	5,811,103
Capital assets, depreciable	18,251,233	3,655,520	(1,071,745)	20,835,008
Less accumulated depreciation	(10,046,168)	(946,833)	648,827	(10,344,174)
Capital assets, depreciable, net	8,205,065	2,708,687	(422,918)	10,490,834
Capital assets, net	10,826,187	3,021,386	(1,819,466)	12,028,107
Lease assets				
Buildings and equipment	11,295,397	-	(318,194)	10,977,203
Less accumulated amortization	(4,504,289)	(1,105,534)	133,829	(5,475,994)
Total lease assets being amortized, net	6,791,108	(1,105,534)	(184,365)	5,501,209
Subscription right-to-use assets	5,547,610	-	-	5,547,610
Less accumulated amortization	(651,742)	(768,734)	-	(1,420,476)
Total subscription assets, net	4,895,868	(768,734)	-	4,127,134
Total capital assets, net	<u>\$ 22,513,163</u>	<u>\$ 1,147,118</u>	<u>\$ (2,003,831)</u>	<u>\$ 21,656,450</u>

Intangible Right-to-Use Lease Assets

Implemented under the guidance in GASB No. 87, *Leases*, the Agency recognized the value of buildings leased for various Agency services. Included in one of the building leases is a separate equipment lease. Intangible assets also include subscription right-to-use assets recorded under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, net of accumulated amortization.

Note 5 – Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Notes from direct borrowings	\$ 3,559,870	\$ -	\$ (42,545)	\$ 3,517,325	\$ 45,417
Lease liabilities	7,536,833	-	(1,348,151)	6,188,682	1,117,090
Financing leases	377,792	-	(215,401)	162,391	149,568
Subscription liabilities	3,475,036	-	(579,111)	2,895,925	594,769
Compensated absences	2,669,252	5,203,209	(5,050,829)	2,821,632	2,116,224
	<u>\$ 17,618,783</u>	<u>\$ 5,203,209</u>	<u>\$ (7,236,037)</u>	<u>\$ 15,585,955</u>	<u>\$ 4,023,068</u>

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Annual debt service requirements are as follows:

	Notes from Direct Borrowings	
	Principal	Interest
2025	\$ 45,417	\$ 229,037
2026	48,483	225,972
2027	51,756	222,699
2028	55,249	219,205
2029	58,979	215,476
2030-2034	360,266	1,012,006
2035-2039	499,422	872,850
2040-2044	692,329	679,943
2045-2049	959,748	412,524
2050-2054	745,676	77,687
	\$ 3,517,325	\$ 4,167,399

The future payments under lease and subscription agreements are as follows:

Fiscal Year	Financing Leases		Subscription Liabilities		Lease Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 149,568	\$ 31,507	\$ 594,769	\$ 100,776	\$ 1,117,090	\$ 198,038
2026	12,823	57	615,949	79,596	1,180,561	162,291
2027	-	-	637,884	57,661	1,252,178	124,513
2028	-	-	261,537	34,945	1,283,228	84,443
2029	-	-	174,419	25,583	1,355,625	43,380
2030-2034	-	-	611,367	38,641	-	-
	\$ 162,391	\$ 31,564	\$ 2,895,925	\$ 337,202	\$ 6,188,682	\$ 612,665

Details of financing leases payable are as follows:

	Interest Rate	Date Issued	Final Maturity	Amount of	Balance Due
			Date	Original Issue	
IDPA Servers	5.27%	July 2020	July 2025	\$ 678,014	\$ 162,391
					\$ 162,391

Financing assets acquired through financing leases are as follows:

	Amount	Less	Net Financing Assets
		Accumulated Depreciation	
Computer equipment	\$ 270,333	\$ 270,333	\$ -
IT and IDPA Servers	1,034,321	735,671	298,650
	\$ 1,304,654	\$ 1,006,004	\$ 298,650

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Note 6 – Unearned Revenue

Unearned revenue consists of the following grants restricted as to purpose or time:

State grants	\$ 23,165,605
Federal grants	410,579
Other grants	76,967
	<u>\$ 23,653,151</u>

Note 7 – Leases and SBITAs

Lease Liabilities

A summary of significant leases are as follows:

Lease Description	Term	Asset Class	Interest Rate	Balance
401 West Main Street, Radford, VA	07/01/2017- 06/30/2029	Building	3.20%	\$ 2,405,463
1044 East Main Street, Pulaski, VA	07/01/2022- 06/30/2029	Building	3.20	184,424
210 Broad Street, Dublin, Va	07/01/2020- 06/30/2029	Building	3.20	759,817
824 W Main Street, Radford, VA and BGB equipment	10/01/2019- 06/30/2029	Building	3.20	1,469,751
6829 Tara Lane, Radford, VA	07/01/2022- 06/30/2027	Equipment	3.20	139,227
Two B and C Corporate Dr., Radford, VA	06/01/202- 06/30/2029	Building	3.20	394,748
260 Webb's Mill Road, Floyd, VA	07/01/2019- 06/30/2029	Building	3.20	177,573
705 Wenonah Avenue, Pearisburg, VA	07/01/2022- 06/30/2029	Building	3.20	203,989
315-327 North Washington Street, Pulaski, VA	07/01/2017- 06/30/2027	Building	3.20	453,690
				<u>\$ 6,188,682</u>

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SBITA Liabilities

A summary of significant SBITAs are as follows:

SBITA Description	Term	Interest Rate	Balance
Oracle Fusion Cloud Software	11/11/2022- 11/10/2032	3.549%	\$ 1,424,976
Credible Behavioral Health	07/01/2022- 06/30/2027	3.549	772,995
Relias Training	07/01/2022- 06/30/2027	3.549	249,555
Open Text	07/01/2022- 06/30/2027	3.549	94,432
APEX	07/01/2022- 06/30/2028	3.549	170,600
MS Office 365	07/01/2022- 06/30/2028	3.549	183,367
			<u><u>\$ 2,895,925</u></u>

Short-Term Leases

The Agency leases equipment under terms which are less than a year. Rental expense related to these short-term leases for 2024 totaled \$3,974.

MES leases office space and other facilities to the Agency. All such rentals are intercompany agreements and, as such, activity is eliminated in consolidation. Such leases are not required to be reflected as liabilities under GASB No. 87 due to their inter entity nature.

Note 8 – Defined Benefit Pension Plan

Plan Description

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

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

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

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Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	91
Inactive members	
Vested inactive members	178
Non-vested inactive members	594
LTD	2
Inactive members active elsewhere in VRS	203
Total inactive members	1,068
Active members	595
Total covered employees	1,663

Contributions

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

The Political Subdivision's contractually required contribution rate for the year ended June 30, 2024 was 1.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Political Subdivision were \$231,659 and \$215,204 for the years ended June 30, 2024 and June 30, 2023, respectively.

Net Pension Liability

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

Actuarial Assumptions

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

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

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

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

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

Long-Term Expected Rate of Return

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

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

*Expected arithmetic nominal return

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

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Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2022	\$ 50,072,896	\$ 62,205,368	\$ (12,132,472)
Changes for the year			
Service cost	1,911,899	-	1,911,899
Interest	3,455,146	-	3,455,146
Differences between expected and actual experience	(2,288,204)	-	(2,288,204)
Contributions – employer	-	215,122	(215,122)
Contributions – employee	-	1,278,733	(1,278,733)
Net investment income	-	4,058,318	(4,058,318)
Benefit payments, including refunds of employee contributions	(1,594,901)	(1,594,901)	-
Administrative expenses	-	(39,614)	39,614
Other changes	-	1,637	(1,637)
Net changes	1,483,940	3,919,295	(2,435,355)
Balances at June 30, 2023	<u>\$ 51,556,836</u>	<u>\$ 66,124,663</u>	<u>\$ (14,567,827)</u>

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political Subdivision's net pension liability (asset)	<u>\$ (5,141,013)</u>	<u>\$ (14,567,827)</u>	<u>\$ (21,557,567)</u>

New River Valley Community Services

Notes to Financial Statements

June 30, 2024

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

For the year ended June 30, 2024, the Political Subdivision recognized pension benefit of \$1,706,628. At June 30, 2024, the Political Subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,769	\$ 1,431,199
Net difference between projected and actual earnings on pension plan investments	-	908,843
Employer contributions subsequent to the measurement date	231,659	-
Total	<u><u>\$ 273,428</u></u>	<u><u>\$ 2,340,042</u></u>

The \$231,659 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2025	\$ (1,496,794)
2026	(1,715,047)
2027	886,396
2028	27,172
2029	-
Thereafter	-

Pension Plan Data

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

Payables to the Pension Plan

At June 30, 2024, approximately \$108,200 was payable to the Virginia Retirement system for the legally required contributions related to June 2024 payroll.

New River Valley Community Services

Notes to Financial Statements

June 30, 2024

Note 9 – Net Client Service Revenue

Net client revenue arose from the following sources, net of adjustments and write-offs:

Medicaid	\$	32,234,093
Direct client fees		1,721,471
Third-party and other		2,962,290
	\$	<u>36,917,854</u>

Note 10 – Contributions from Participating Local Governments

Contributions from participating local governments were as follows:

County of Montgomery	\$	298,215
County of Pulaski		187,810
County of Floyd		47,500
County of Giles		78,042
City of Radford		135,733
	\$	<u>747,300</u>

Note 11 – Other Income

Other income arose from the following sources:

Donations	\$	127,825
Non-fee contract revenues		1,988,555
Administrative and other fees		1,404,372
In-kind revenues		187,186
Other revenues		1,255,786
	\$	<u>4,963,724</u>

Note 12 – Commitments and 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.

The Agency has a \$3,000,000 bank line of credit that bears interest at daily simple SOFR plus 1.95% (5.33% at June 30, 2024) and matures on December 17, 2025. At June 30, 2024, there were no amounts outstanding. The line of credit is secured by receivables, equipment, and fixtures.

Note 13 – Risk Management

The Agency 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 Agency participates in the Virginia Association of Counties Group Self Insurance Risk Pool for various liability coverages which have up to \$3,000,000 in

New River Valley Community Services

Notes to Financial Statements

June 30, 2024

coverage limits. The Agency also participates in the Virginia Association of Counties Risk Pool for workers compensation coverage.

There are no surety bonds for directors. The Agency 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 and there has been no reduction in the amount of insurance coverage from the prior year.

Note 14 – Subsequent Event

MES signed a letter of intent in January of 2025 to sell the property located at 700 University City Blvd, Blacksburg, Virginia for \$7,850,000. The purchase and sale of the property is subject to the negotiation and execution of a purchase and sale agreement.

Note 15 – New Accounting Standards

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

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

In April 2024, the GASB issued **Statement No. 103**, *Financial Reporting Model Improvements*. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

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

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Required Supplementary Information

New River Valley Community Services
Required Supplementary Information
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
June 30, 2024

	Plan Year		
	2023	2022	2021
Total Pension Liability			
Service cost	\$ 1,911,899	\$ 1,858,045	\$ 1,935,657
Interest on total pension liability	3,455,146	3,204,079	2,877,678
Changes of assumptions	-	-	725,754
Difference between expected and actual experience	(2,288,204)	133,567	(1,138,625)
Benefit payments, including refunds of employee contributions	(1,594,901)	(1,465,177)	(1,380,703)
Net change in total pension liability	1,483,940	3,730,514	3,019,761
Total pension liability – beginning	50,072,896	46,342,382	43,322,621
Total pension liability – ending	51,556,836	50,072,896	46,342,382
Plan Fiduciary Net Position			
Contributions – employer	215,122	361,090	365,392
Contributions – employee	1,278,733	1,223,235	1,202,720
Net investment income	4,058,318	(93,725)	13,424,443
Benefit payments, including refunds of employee contributions	(1,594,901)	(1,465,177)	(1,380,703)
Administrative expenses	(39,614)	(38,234)	(32,309)
Other	1,637	1,460	1,277
Net change in plan fiduciary net position	3,919,295	(11,351)	13,580,820
Plan fiduciary net position – beginning	62,205,368	62,216,719	48,635,899
Plan fiduciary net position – ending	66,124,663	62,205,368	62,216,719
Net pension liability (asset) – ending	<u><u>\$ (14,567,827)</u></u>	<u><u>\$ (12,132,472)</u></u>	<u><u>\$ (15,874,337)</u></u>
Plan fiduciary net position as a percentage of total pension liability	<u>128%</u>	<u>124%</u>	<u>134%</u>
Covered employee payroll	<u>\$ 29,404,274</u>	<u>\$ 27,640,349</u>	<u>\$ 26,759,803</u>
Net pension liability as a percentage of covered employee payroll	<u>-50%</u>	<u>-44%</u>	<u>-59%</u>

The plan years above are reported in the Agency’s financial statements in the fiscal year following the plan year – i.e., plan year 2015 information was presented in the Agency’s fiscal year 2016 financial report.

Plan Year						
2020	2019	2018	2017	2016	2015	2014
\$ 1,945,336	\$ 1,793,146	\$ 1,837,026	\$ 2,027,024	\$ 1,902,687	\$ 1,889,027	\$ 1,903,638
2,671,472	2,446,128	2,301,761	2,100,510	1,954,418	1,824,535	1,619,096
-	1,452,417	-	(916,999)	-	-	-
(227,410)	178,464	(897,969)	725,893	(851,039)	(1,073,151)	-
(1,288,270)	(1,186,697)	(1,170,167)	(952,654)	(885,427)	(684,438)	(491,354)
3,101,128	4,683,458	2,070,651	2,983,774	2,120,639	1,955,973	3,031,380
40,221,493	35,538,035	33,467,384	30,483,610	28,362,971	26,406,998	23,375,618
43,322,621	40,221,493	35,538,035	33,467,384	30,483,610	28,362,971	26,406,998
1,644,213	1,604,076	1,555,849	1,633,677	1,549,146	1,455,297	1,435,775
1,209,657	1,160,737	1,126,699	1,175,124	1,117,074	1,046,612	1,055,520
875,508	2,891,750	2,817,760	4,003,875	569,942	1,254,213	3,444,053
(1,288,270)	(1,186,697)	(1,170,167)	(952,654)	(885,427)	(684,438)	(491,354)
(28,372)	(25,948)	(22,513)	(20,841)	(16,907)	(15,099)	(16,702)
(1,096)	(1,844)	(2,593)	(3,663)	(229)	(270)	182
2,411,640	4,442,074	4,305,035	5,835,518	2,333,599	3,056,315	5,427,474
46,224,259	41,782,185	37,477,150	31,641,632	29,308,033	26,251,718	20,824,244
48,635,899	46,224,259	41,782,185	37,477,150	31,641,632	29,308,033	26,251,718
\$ (5,313,278)	\$ (6,002,766)	\$ (6,244,150)	\$ (4,009,766)	\$ (1,158,022)	\$ (945,062)	\$ 155,280
112%	115%	118%	112%	104%	103%	99%
\$ 27,189,394	\$ 26,642,992	\$ 24,432,305	\$ 25,209,972	\$ 23,074,155	\$ 20,609,503	\$ 20,840,138
-20%	-23%	-26%	-16%	-5%	-5%	1%

New River Valley Community Services

Required Supplementary Information

Schedule of Pension Contributions

June 30, 2024

Fiscal Year Ended June 30,	Contributions in Relation to		Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actuarially Determined Contribution			
2024	\$ 231,659	\$ 231,659	\$ -	\$ 34,391,609	0.67 %
2023	215,204	215,204	-	29,404,274	0.73
2022	361,090	361,090	-	27,640,349	1.31
2021	365,392	365,392	-	26,759,803	1.37
2020	1,644,213	1,644,213	-	27,189,394	6.05
2019	1,604,076	1,604,076	-	26,642,992	6.02
2018	1,555,849	1,555,849	-	24,432,305	6.37
2017	1,633,677	1,633,677	-	25,209,972	6.48
2016	1,646,616	1,646,616	-	23,074,155	7.14
2015	1,565,921	1,565,921	-	20,609,503	7.60

New River Valley Community Services
Notes to Required Supplementary Information
June 30, 2024

Note 1 – Changes of Benefit Terms

Pension

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

Note 2 – Changes of Assumptions

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

Non-Hazardous Duty:

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

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Other Supplementary Information

New River Valley Community Services

Combining Statement of Net Position

June 30, 2024

	New River Valley Community Services	Mountain Empire Services	Inter- Company Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 37,237,308	\$ 975,366	\$ -	\$ 38,212,674
Accounts receivable, net	4,884,970	-	-	4,884,970
Lease receivable	127,017	-	-	127,017
Other receivables	3,141	-	(2,972)	169
Prepaid expenses and other	35,448	-	-	35,448
Cash and cash equivalents, restricted for clients or employees	573,859	-	-	573,859
Total current assets	42,861,743	975,366	(2,972)	43,834,137
NONCURRENT ASSETS				
Net pension asset	14,567,827	-	-	14,567,827
Capital assets, net	15,940,233	5,716,217	-	21,656,450
Total noncurrent assets	30,508,060	5,716,217	-	36,224,277
Total assets	73,369,803	6,691,583	(2,972)	80,058,414
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows	273,428	-	-	273,428
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	1,447,740	7,446	-	1,455,186
Accrued payroll and related liabilities	2,920,742	-	-	2,920,742
Accrued interest	11,053	19,219	-	30,272
Unearned revenue	23,653,151	-	-	23,653,151
Amounts held for clients, payable from restricted assets	540,872	-	-	540,872
Due to related party	-	2,972	(2,972)	-
Other current liabilities	-	2,286	-	2,286
Noncurrent liabilities due within one year	3,977,651	45,417	-	4,023,068
Total current liabilities	32,551,209	77,340	(2,972)	32,625,577
NONCURRENT LIABILITIES				
Other noncurrent liabilities due more than one year	8,090,980	3,471,907	-	11,562,887
Total liabilities	40,642,189	3,549,247	(2,972)	44,188,464
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows	2,340,042	-	-	2,340,042
Deferral inflow lease rents	127,017	-	-	127,017
Total deferred inflows of resources	2,467,059	-	-	2,467,059
NET POSITION				
Net investment in capital assets	6,693,234	2,198,893	-	8,892,127
Restricted – net pension asset	14,567,827	-	-	14,567,827
Unrestricted	9,272,922	943,443	-	10,216,365
Total net position	\$ 30,533,983	\$ 3,142,336	\$ -	\$ 33,676,319

New River Valley Community Services

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

	New River Valley Community Services	Mountain Empire Services	Inter- Company Eliminations	Total
OPERATING REVENUES				
Net client service revenue	\$ 36,917,854	\$ -	\$ -	\$ 36,917,854
OPERATING EXPENSES				
Salaries and benefits	46,947,936	-	-	46,947,936
Staff development and recruitment	216,872	-	-	216,872
Facility	2,292,708	67,937	-	2,360,645
Supplies	3,641,412	5,701	-	3,647,113
Travel	1,148,417	-	-	1,148,417
Contractual and professional services	10,823,143	48,400	-	10,871,543
Leases	497,894	-	(493,920)	3,974
Insurance	133,876	14,488	-	148,364
Depreciation and amortization	2,607,352	213,749	-	2,821,101
Other	707,697	-	-	707,697
Total operating expenses	69,017,307	350,275	(493,920)	68,873,662
Operating loss	(32,099,453)	(350,275)	493,920	(31,955,808)
NONOPERATING REVENUES (EXPENSES)				
Commonwealth of Virginia grants	22,136,448	-	-	22,136,448
Federal grants	6,553,783	-	-	6,553,783
Contributions from participating local governments	747,300	-	-	747,300
Interest income	1,351,268	-	-	1,351,268
Interest expense	(375,264)	(244,501)	-	(619,765)
Other income	4,961,879	1,845	-	4,963,724
Rental income	-	510,132	(493,920)	16,212
Loss on sale of capital assets	(144,695)	-	-	(144,695)
Net nonoperating revenues	35,230,719	267,476	(493,920)	35,004,275
Change in net position	3,131,266	(82,799)	-	3,048,467
NET POSITION, at July 1	27,402,717	3,225,135	-	30,627,852
NET POSITION, at June 30	<u><u>\$ 30,533,983</u></u>	<u><u>\$ 3,142,336</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,676,319</u></u>

New River Valley Community Services

Combining Statement of Cash Flows

Year Ended June 30, 2024

	New River Valley Community Services	Mountain Empire Services	Inter- Company Eliminations	Total
OPERATING ACTIVITIES				
Receipts from clients, private insurers, Medicaid, and others	\$ 35,380,769	\$ -	\$ -	\$ 35,380,769
Payments to suppliers	(18,819,782)	(130,576)	496,892	(18,453,466)
Payments to employees	(47,746,136)	-	-	(47,746,136)
Other payments	(10,262)	-	-	(10,262)
Net cash used in operating activities	(31,195,411)	(130,576)	496,892	(30,829,095)
NON-CAPITAL FINANCING ACTIVITIES				
Contributions from local, state, and federal governments	36,868,232	-	-	36,868,232
Other receipts	4,961,879	4,817	(2,972)	4,963,724
Net cash provided by non-capital financing activities	41,830,111	4,817	(2,972)	41,831,956
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(2,369,992)	-	-	(2,369,992)
Proceeds from the sale of capital assets	260,910	-	-	260,910
Principal paid on debt	(2,142,663)	(42,545)	-	(2,185,208)
Interest paid on debt	(371,955)	(244,729)	-	(616,684)
Net cash used in capital and related financing activities	(4,623,700)	(287,274)	-	(4,910,974)
INVESTING ACTIVITIES				
Rent received	-	510,132	(493,920)	16,212
Interest income	1,351,268	-	-	1,351,268
Net cash provided by investing activities	1,351,268	510,132	(493,920)	1,367,480
Net increase in cash and cash equivalents	7,362,268	97,099	-	7,459,367
CASH AND CASH EQUIVALENTS				
Beginning at July 1	30,448,899	878,267	-	31,327,166
Ending at June 30	<u>\$ 37,811,167</u>	<u>\$ 975,366</u>	<u>\$ -</u>	<u>\$ 38,786,533</u>
RECONCILIATION TO STATEMENT OF NET POSITION				
Cash and cash equivalents	\$ 37,237,308	\$ 975,366	\$ -	\$ 38,212,674
Cash and cash equivalents, restricted for clients	573,859	-	-	573,859
	<u>\$ 37,811,167</u>	<u>\$ 975,366</u>	<u>\$ -</u>	<u>\$ 38,786,533</u>

New River Valley Community Services

Combining Statement of Cash Flows

Year Ended June 30, 2024

	New River Valley Community Services	Mountain Empire Services	Inter- Company Eliminations	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES				
Operating loss	\$ (32,099,453)	\$ (350,275)	\$ 493,920	\$ (31,955,808)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization	2,607,352	213,749	-	2,821,101
Pension expense less pension contributions, net	(1,938,205)	-	-	(1,938,205)
(Increase) decrease in:				
Accounts receivable, net	(1,537,085)	-	-	(1,537,085)
Other receivables	(1,280)	-	-	(1,280)
Prepaid expenses and other	7,745	-	-	7,745
Increase (decrease) in:				
Accounts payable	634,492	3,664	2,972	641,128
Accrued payroll and related liabilities	987,625	-	-	987,625
Other current liabilities	-	2,286	-	2,286
Compensated absences	152,380	-	-	152,380
Amounts held for clients, payable from restricted assets	(8,982)	-	-	(8,982)
Net cash used in operating activities	<u><u>\$ (31,195,411)</u></u>	<u><u>\$ (130,576)</u></u>	<u><u>\$ 496,892</u></u>	<u><u>\$ (30,829,095)</u></u>

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Compliance Section

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

To the Board of Directors
New River Valley Community Services
Blacksburg, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of New River Valley Community Services (the "Agency"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated July 2, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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. **We identified a certain deficiency that we considered to be a material weakness identified as Item 2024-001 in the accompanying schedule of findings and questioned costs.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Item 2024-004.**

Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
July 2, 2025

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

To the Board of Directors
New River Valley Community Services
Blacksburg, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited New River Valley Community Services' (the "Agency") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2024. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis of 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of

laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Agency's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency'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 the Agency'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 risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as **Items 2024-002 and 2024-003**. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the noncompliance findings identified in our audit is described in the accompanying schedule

of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the internal control over compliance findings identified in our audit as described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
July 2, 2025

New River Valley Community Services

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Federal Granting Agency/Recipient State Agency/Grant Program/Grant Number	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
<u>Department of Health and Human Services</u>			
Direct Payments			
Certified Community Behavioral Health Clinics	93.696	5H79SM086894-02	\$ 585,617
Pass-Through Payments			
Virginia Department of Behavioral Health and Developmental Services			
Block Grants for Substance Use Prevention, Treatment and Recovery Services	93.959	NOA2024.814.772, NOA2024.818.772, NOA2024.826.772	1,295,195
Covid-19 – Block Grants for Substance Use Prevention, Treatment and Recovery Services – ARPA	93.959	D0952.772, D0952.772.1, D1280.772	286,535
Opioid STR – Virginia Opioid Prevention	93.788	NOA2024.824.772, NOA2024.837.772, NOA2024.915.772, NOA2024.962.772	541,091
Block Grants for Community Mental Health Services	93.958	NOA2024.824.772, NOA2024.837.772, NOA2024.915.772, NOA2024.962.772	508,138
Covid-19-Block Grants for Community Mental Health Services – ARPA	93.958	D1032.772, D1559.772	947,378
Total Department of Health and Human Services			<u>4,163,954</u>
<u>U.S. Department of Treasury</u>			
Pass-Through Payments			
Virginia Department of Behavioral Health and Developmental Services			
Covid-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027	D1336.772, D2025.772, D3023.772	2,389,829
Total Expenditures of Federal Awards			<u><u>\$ 6,553,783</u></u>

Note: This schedule is presented on the accrual basis of accounting. The Agency has elected to use the de minimis 10% rate for the allocation of indirect costs. The Agency has no outstanding federal loan balances requiring ongoing disclosure.

New River Valley Community Services

Summary of Compliance Matters

Year Ended June 30, 2024

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

State Compliance Matters

Code of Virginia

Cash and Investment Laws

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Federal Compliance Matters

Compliance Supplement for Single Audits of State and Local Governments

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

New River Valley Community Services

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

A – Summary of Auditor’s Results

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

Coronavirus State and Local Fiscal Recovery Funds
Mental Health Block Grant

Assisting Listing Number

21.027
93.958

8. The threshold for distinguishing Type A and B programs was **\$750,000**.
9. The Agency was determined to be a **low-risk auditee**.

B – Findings – Financial Statement Audit

2024-001: Reconciliation of Cash Accounts (Material Weakness)

Condition

Bank reconciliations were not completed timely for fiscal year 2024. There were no operating account reconciliations completed for the year at the time of preliminary audit fieldwork. These were completed subsequent to the final fieldwork timeframe. Performing timely monthly bank reconciliations reduces the risk that errors will go undetected and/or uncorrected. It is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind.

Criteria

Bank reconciliations should be reconciled and reviewed each month prior to the preparation of the monthly financial statements.

Cause

The Agency had two vacant positions in the Finance Department, one being the Senior Finance Director position for eight months. The Agency also experienced some difficulties in extracting data in some areas due to the implementation of a new software system.

Effect

Bank reconciliations were not completed timely for fiscal year 2024.

New River Valley Community Services

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Recommendation

We recommend all bank accounts be reconciled and reviewed each month prior to the preparation of the monthly financial statements. We recommend management continue to take steps to ensure that bank reconciliations are completed timely going forward.

Views of Responsible Officials and Planned Corrective Action

The Agency had two vacant positions in the Finance Department, one being the Senior Finance Director position for eight months. The Agency also experienced some difficulties in extracting data in some areas due to the implementation of a new software system. NRVCS will ensure that all bank accounts are reconciled and reviewed each month timely.

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

2024-002: Mental Health Block Grant ALN 93.958, Late Filing of End of Year Performance Contract Report with Virginia Department of Behavioral Health and Developmental Services

Condition

The Agency filed its end of year performance contract report with the DBHDS on October 30, 2024. This Report was due by September 3, 2024. The Agency was granted a two week extension, by the DBHDS to September 17, 2024.

Criteria

The end of year performance contract report was due September 3, 2024 for fiscal year 2024.

Cause

The Agency had two vacant positions in the Finance Department, one being the Senior Finance Director position for eight months. The Agency also experienced some difficulties in extracting data in some areas due to the implementation of a new software system.

Effect

The Agency filed its end of year performance contract report with the DBHDS on October 30, 2024.

Recommendation

We recommend that management ensures the timely filing of this report each year no later than August 31st.

Views of Responsible Officials and Planned Corrective Action

The Agency had two vacant positions in the Finance Department, one being the Senior Finance Director position for eight months. The Agency also experienced some difficulties in extracting data in some areas due to the implementation of a new software system. NRVCS will ensure that all reporting to DBHDS for the Performance Contract is submitted by they due dates.

New River Valley Community Services

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

2024-003: Coronavirus State and Local Fiscal Recovery Funds ALN 21.027 and Mental Health Block Grant ALN 93.958, Late Filing of Data Collection Form

Condition

The Agency's audit was not yet completed at the 9 month filing deadline for the data collection form with the Federal Audit Clearinghouse, which was March 31, 2025.

Criteria

The data collection form was due to be filed with the Federal Audit Clearinghouse no later than March 31, 2025 for fiscal year 2024.

Cause

The Agency had two vacant positions in the Finance Department, one being the Senior Finance Director position for eight months. The Agency also experienced some difficulties in extracting data in some areas due to the implementation of a new software system.

Effect

The Agency's audit was not yet completed at March 31, 2025.

Recommendation

We recommend that management ensures the timely filing of this form each year no later than March 31st.

Views of Responsible Officials and Planned Corrective Action

The Agency had two vacant positions in the Finance Department, one being the Senior Finance Director position for eight months. The Agency also experienced some difficulties in extracting data in some areas due to the implementation of a new software system. NRVCS will ensure that the Data Collection Form is submitted by the due date.

D – Findings – Commonwealth of Virginia

2024-004: Late Filing of End of Year Performance Contract Report with Virginia Department of Behavioral Health and Developmental Services

Condition

The Agency filed its end of year performance contract report with the DBHDS on October 30, 2024. This Report was due by September 3, 2024. The Agency was granted a two week extension, by the DBHDS to September 17, 2024.

Recommendation

We recommend that management ensures the timely filing of this report each year no later than August 31st.

New River Valley Community Services
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Management's Response

The Agency had two vacant positions in the Finance Department, one being the Senior Finance Director position for eight months. The Agency also experienced some difficulties in extracting data in some areas due to the implementation of a new software system. NRVCS will ensure that all reporting to DBHDS for the Performance Contract is submitted by the due dates.

**MONTGOMERY CENTER**

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Fax: 540.961.8465 / www.nrvcs.org

CORRECTIVE ACTION PLAN

July 2, 2025

New River Valley Community Services respectfully submits the following corrective action plan for the year ended June 30, 2024.

Name and address of independent public accounting firm:

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

3906 Electric Road

Roanoke, VA 24018

Audit period: June 30, 2024

The findings from the June 30, 2024, Schedule of Findings and Questioned Costs (the "Schedule") are discussed below. The findings are numbered consistently with the number assigned in the Schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT***2024-001: Reconciliation of Cash Accounts (Material Weakness)*****Condition**

Bank reconciliations were not completed timely for fiscal year 2024. There were no operating account reconciliations completed for the year at the time of preliminary audit fieldwork. These were completed subsequent to the final fieldwork timeframe. Performing timely monthly bank reconciliations reduces the risk that errors will go undetected and/or uncorrected. It is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind.

Criteria

Bank reconciliations should be reconciled and reviewed each month prior to the preparation of the monthly financial statements.

Cause

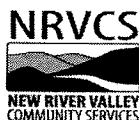
The Agency had two vacant positions in the Finance Department, one being the Senior Finance Director position for eight months. The Agency also experienced some difficulties in extracting data in some areas due to the implementation of a new software system.

Effect

Bank reconciliations were not completed timely for fiscal year 2024.

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Recommendation

We recommend all bank accounts be reconciled and reviewed each month prior to the preparation of the monthly financial statements. We recommend management continue to take steps to ensure that bank reconciliations are completed timely going forward.

Corrective Action

Due to a system implementation and personnel openings, bank reconciliations were not completed timely during FY24. However, before the FY24 audit was completed, all bank reconciliations were reconciled and reviewed. Bank reconciliations are a high priority and are now being reconciled and reviewed monthly and will continue to be going forward.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

2024-002: Mental Health Block Grant ALN 93.958, Late Filing of End of Year Performance Contract Report with Virginia Department of Behavioral Health and Developmental Services

Condition

The Agency filed its end of year performance contract report with the DBHDS on October 30, 2024. This Report was due by September 3, 2024. The Agency was granted a two week extension, by the DBHDS to September 17, 2024.

Criteria

The end of year performance contract report was due September 3, 2024 for fiscal year 2024.

Cause

The Agency had two vacant positions in the Finance Department, one being the Senior Finance Director position for eight months. The Agency also experienced some difficulties in extracting data in some areas due to the implementation of a new software system.

Effect

The Agency filed its end of year performance contract report with the DBHDS on October 30, 2024.

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Recommendation

We recommend that management ensures the timely filing of this report each year no later than August 31st.

Corrective Action

Due to a system implementation and lack of personnel, the performance contract report was filed last for FY24. The current report is due September 2, 2025 and has been completed timely and will be submitted before or on the due date. Going forward, this deadline will be met.

2024-003: Coronavirus State and Local Fiscal Recovery Funds ALN 21.027 and Mental Health Block Grant ALN 93.958, Late Filing of Data Collection Form

Condition

The Agency's audit was not yet completed at the 9 month filing deadline for the data collection form with the Federal Audit Clearinghouse, which was March 31, 2025.

Criteria

The data collection form was due to be filed with the Federal Audit Clearinghouse no later than March 31, 2025 for fiscal year 2024.

Cause

The Agency had two vacant positions in the Finance Department, one being the Senior Finance Director position for eight months. The Agency also experienced some difficulties in extracting data in some areas due to the implementation of a new software system.

Effect

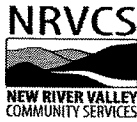
The Agency's audit was not yet completed at March 31, 2025.

Recommendation

We recommend that management ensures the timely filing of this form each year no later than March 31st.

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Corrective Action

Due to a system implementation and lack of personnel, the performance contract report was filed last for FY24. The current report is due September 2, 2025 and has been completed timely and will be submitted before or on the due date. Going forward, this deadline will be met.

If the Federal Audit Clearinghouse has questions regarding this plan, please call Holly Carroll, Finance Accounting Supervisor at 540-961-8362.

Sincerely yours,

Holly Carroll
Finance Accounting Supervisor

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