HORIZON
BEHAVIORAL HEALTH

Financial Report

June 30, 2024

BROWNEDWARDS
certified public accountants

Horizon Behavioral Health

Contents

Introductory Section

Financial Section

Required Supplementary Information

Other Supplementary Information

Compliance Section

Introductory Section

Horizon Behavioral Health

Directory of Principal Officials

June 30, 2024

Board of Directors

Betty Brickhouse, Chair

Gary Marple, Vice-Chair

Rob Merryman, Treasurer

Jim Sikkema, Secretary

Sonya Baker	Robert Shiflett
Chris Faraldi	Mary Lou Spiggle
Tom Lawton	Justin Stauder
Abe Loper	

Principal Management Team

Melissa Lucy .... Chief Executive Officer

Matthew Hartsook .... Chief Financial Officer

Theresa McCaskill .... Director of Talent Management

Sherri Walker-Thacker .... Sr. Portfolio Director of Outpatient Services

Gabriella Smith .... Director of Communications, Community Engagement

Alva Harold .... Sr. Portfolio Director of Emergency Services

Juliana Frosch .... Medical Director

2024
Board of Directors
representing
The City of Lynchburg, Counties of Amherst, Appomattox, Bedford and Campbell

Melissa Lucy
Chief Executive Officer

Sandy Farmer
Executive Assistant to the CEO

Alva (AJ) Harold
Sr. Portfolio Director of Admissions, Crisis Stabilization, Emergency Services, Forensics, Permanent Supportive Housing & Woman's Recovery Programs

Matthew Hartsook
Chief Financial Officer

Theresa McCaskill
Director of Talent Management

Gabriella Smith
Director of Communications & Community Engagement

Sherri Walker-Thacker
Sr. Portfolio Director of Case Management, Intermediate Care Facilities, Outpatient Services & School Based Services

Chris Burch
CQI & Compliance Coordinator

Juliana Frosch
Medical Director

Debra Jefferson
CIT Coordinator

Financial Section

The Financial Section contains the Basic Financial Statements.

Independent Auditor's Report

To the Board of Directors
Horizon Behavioral Health
Lynchburg, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Horizon Behavioral Health (the "Board"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our 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 Board's 2023 financial statements, and our report dated November 10, 2023 expressed an unmodified opinion on those financial statements. The 2023 financial information is provided for comparative purposes only. 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 November 22, 2024 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 22, 2024

Horizon Behavioral Health
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

The following Management's Discussion and Analysis (MD&A) of Horizon Behavioral Health's (Horizon) financial performance provides an overview of the Horizon financial activities for the fiscal year ended June 30, 2024.

Following this MD&A are Horizon's basic financial statements with the notes thereto which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, there is certain required supplementary information regarding the schedule of expenditures of federal awards and required pension schedules. Please read this information in conjunction with the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

Horizon Behavioral Health presents three basic financial statements for the purpose of analyzing the financial position of Horizon as of June 30, 2024. These are: (1) Statement of Net Position; (2) Statement of Revenues, Expenses, and Changes in Fund Net Position; and (3) Statement of Cash Flows.

Horizon's financial position is measured in terms of resources (assets) owned and obligations (liabilities) owed as of June 30, 2024. This information is reported on the Statement of Net Position which reflects Horizon's assets in relation to its debts to its suppliers, employees, and other creditors. The excess of assets over liabilities is indicated by the value of net position.

Information regarding the results of Horizon's operations during fiscal year 2024 is reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement shows how much overall net position increased during the year as a result of operations.

The Statement of Cash Flows discloses the flow of cash resources into and out of Horizon during the fiscal year 2024 (from operations, contributions, and other sources) and how those funds were applied (for example: payment of expenses, repayment of debt, purchase of new property, etc.).

Financial Summary

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

Summary Statement of Net Position

	2024	2023
Current assets	$ 34,572,026	$ 27,729,449
Capital assets	14,958,341	14,377,884
Other non-current assets	18,677,726	15,456,837
Total assets	**$ 68,208,093**	**$ 57,564,170**
Pension-related deferred outflows	159,393	380,375
Postemployment benefits deferred outflows	308,370	284,359
Total deferred outflows of resources	**$ 467,763**	**$ 664,734**
Current liabilities	12,611,491	10,050,838
Long term liabilities	8,522,276	9,198,586
Total liabilities	**$ 21,133,767**	**$ 19,249,424**
Pension-related deferred inflows	2,783,561	2,751,172
Postemployment benefits deferred inflows	491,520	663,527
Lease revenue deferred inflows	16,470	33,488
Total deferred inflows of resources	**$ 3,291,551**	**$ 3,448,187**
Net position		
Net investment in capital assets	6,710,592	4,475,630
Restricted - net pension asset	18,606,219	15,359,612
Unrestricted	18,933,727	15,696,051
Total net position	**$ 44,250,538**	**$ 35,531,293**

The financial position of Horizon is reflected by the current ratio (current assets / current liabilities) and was calculated to be 2.7 as of June 30, 2024 and was 2.8 as of June 30, 2023. The current ratio is an indicator of the organization's ability to cover current obligations. The ability to cover current obligations 1.0 times is considered adequate.

Change in Net Position: A summary of Horizon Behavioral Health's Statement of Revenues, Expenses, and Changes in Fund Net Position for fiscal years 2024 and 2023 is presented below:

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

	2024	2023
Operating revenues	$ 32,396,398	$ 31,401,397
Operating expenses	40,975,606	38,799,021
Operating loss	(8,579,208)	(7,397,624)
Non-operating revenues - net	17,298,453	14,002,719
Change in net position	**$ 8,719,245**	**$ 6,605,095**

Operating revenues are the amount of revenue received from providing client services. Most of those revenues, approximately 97% in fiscal year 2024, were received from Medicaid (please see Note 11). During fiscal year 2024, operating revenue increased by 3.2%.

Operating expenses are the sum of direct and indirect costs of operating Horizon. These include salaries and benefits, occupancy, payments to contracting entities, depreciation, etc. Please see the full Statement of Revenues, Expenses, and Changes in Fund Net Position for a complete breakdown of these expenditures for fiscal years 2024 and 2023. During fiscal year 2024, operating expenses increased by 5.6% due primarily to higher salary and benefit costs driven by inflation and increased staffing.

Net non-operating revenue is comprised of income received as appropriations or grants, miscellaneous income and is net of interest expense. Appropriations from federal and state sources amounted to 92% of net non-operating revenue for fiscal year 2024. Appropriations from local governments constituted 7% for fiscal year 2024. The remaining non-operating revenue consists of other income, interest income and expense. Net non-operating revenue for fiscal year 2024 was 23.5% higher than fiscal year 2023 due primarily to an increase in expenditures funded by federal and state grants.

There was an increase in net position by $8,719,245 in fiscal year 2024 and an increase of $6,605,095 in fiscal year 2023.

Cash flows: A summary of Horizon's Statement of Cash Flows for 2024 and 2023 is presented below.

Condensed Statement of Cash Flows

	2024	2023
Cash flows to operating activities	$ (11,946,016)	$ (8,398,469)
Cash flows from non-capital related financing activities	19,924,432	17,516,384
Cash flows to capital related financing activities	(2,739,961)	(767,791)
Cash flows from investing activities	72,860	57,742
Net cash increase	5,311,315	8,407,866
Cash and cash equivalents, beginning of year	23,777,792	15,369,926
Cash and cash equivalents, end of year	**$ 29,089,107**	**$ 23,777,792**

Cash flows to operating activities reconcile the operating loss recorded on the Statement of Revenues, Expenses, and Changes in Fund Net Position to cash used in operating activities. In this process, the operating loss is adjusted by the amount of any non-cash transactions (depreciation, pension expense adjustments) as well as changes in assets and liabilities. (Please see the full Statement of Cash Flows for a full listing of these transactions).

Cash flows from non-capital transactions are comprised of income received as appropriations or grants (please see Statement of Revenues, Expenses, and Changes in Fund Net Position discussion above). Cash flows to capital activities are comprised of the acquisition of capital assets as well as principal payments on mortgages and loans payable (please see Notes 5, 6 and 7). Cash flows from investing activities are comprised of interest income.

There was a net increase in cash and cash equivalents of $5,311,315 during fiscal year 2024 and a net increase of $8,407,866 in fiscal year 2023. The 2024 net increase is $3,096,551 lower than 2023 due primarily to the following two drivers: 1) cash flow to capital related financing activities increased in 2024 driven by the acquisition of property for Horizon's Crisis Receiving Center and a reduction in proceeds from the sale of capital assets vs 2023 which included the sale of Horizon's Court Street property and 2) increased cash flow to operating activities driven by higher salary and benefit costs from inflation and increased staffing. These impacts were partially offset by increased cash flow from non-capital transactions as state and federal grant funds increased to help fund the additional costs of expanded programming.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2024, Horizon had $14,958,341 in Net Capital Assets. This is comprised of $24,924,168 in capital assets less $9,965,827 in accumulated depreciation (please see Note 5). Of the total capital assets, buildings and improvements constitute 65%, building leases constitute 3%, furniture and equipment constitute 6%, subscription right-to-use assets constitute 6%, vehicles constitute 7%, and land and construction in progress constitute 13%.

Long Term Debt

Long term notes payable as of June 30, 2024 were $7,124,030 (please see Note 7). This is a net decrease of $437,814. Horizon's line of credit had a $0 balance at both June 30, 2024 and June 30, 2023.

Financial Highlights

Based on operating results achieved, Horizon's net position increased by $8,719,245 during the fiscal year.

During the fiscal year ended June 30, 2024, Horizon had total expenses of $41,311,768 compared with $39,204,187 the previous year, an increase of $2,107,581 or 5.4%. These figures included interest expense on mortgages and capital leases of $336,162 and $405,166 in 2024 and 2023, respectively. The increase during fiscal year 2024 was due primarily to increased personnel cost from inflation and increased staffing.

During the fiscal year ended June 30, 2024, Horizon had net client service revenues of $32,396,398 compared with $31,401,397 for the previous year. This represents an increase of $995,001 or 3.2% due to the impact of increased staffing in programs that provide billable services.

During the fiscal year ended June 30, 2024, Horizon had net revenues from local, state, and federal appropriations/grants of $17,071,416 compared with $13,358,334 in fiscal year 2023. The increase of $3,718,082, or 27.8%, is due to additional funding for expanded programming and recognition of revenue associated with costs incurred for the acquisition and improvement of the property for Horizon's Crisis Receiving Center .

During the fiscal year ended June 30, 2024, Horizon had total revenues of $50,031,013 including all sources as compared with $45,809,282 the previous year, an increase of $4,221,731 or 9.2% in total revenue. The increase is driven by increases in net client service revenues and local, state, and federal appropriations/grants as explained above.

During the year ended June 30, 2024, total expenses were $8,719,245 lower than the aggregate of operating and non-operating revenues. The previous year, expenses were $6,605,095 lower than operating and non-operating revenues.

Total expenses were $4,584,106 lower than the budget for fiscal year ended June 30, 2024. Revenues were $2,134,617 higher than budget. The net variance from budget was favorable by $6,718,723.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Matt Hartsook, Chief Financial Officer, Horizon Behavioral Health, 2215 Langhorne Road, Lynchburg, Virginia 24501.

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Basic Financial Statements

Horizon Behavioral Health

Statement of Net Position

June 30, 2024

	2024	(For Comparative Purposes Only) 2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	$ 29,017,600	$ 23,680,567
Accounts receivable, net (Note 3)	2,189,665	1,758,545
Lease receivable	16,470	33,488
Due from other governments (Note 4)	3,078,596	1,879,645
Prepaid expenses and other	269,695	377,204
Total current assets	34,572,026	27,729,449
NONCURRENT ASSETS		
Cash and cash equivalents, restricted for permanent support housing (Note 2)	71,507	97,225
Net pension asset (Note 9)	18,606,219	15,359,612
Capital assets, net (Note 5)	14,958,341	14,377,884
Total noncurrent assets	33,636,067	29,834,721
Total assets	68,208,093	57,564,170
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 9)	159,393	380,375
Deferred outflows related to other postemployment benefits (Note 10)	308,370	284,359
Total deferred outflows of resources	467,763	664,734
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts payable	453,311	457,217
Accrued payroll and related liabilities	607,632	758,961
Due to other governments	80,032	37,285
Unearned revenue (Note 8)	8,957,938	6,327,804
Current portion of long-term liabilities (Note 7)	2,512,578	2,469,571
Total current liabilities	12,611,491	10,050,838
LONG-TERM LIABILITIES		
Net other postemployment benefit liability (Note 10)	1,157,098	1,197,956
Due in more than one year (Note 7)	7,365,178	8,000,630
Total long-term liabilities	8,522,276	9,198,586
Total liabilities	21,133,767	19,249,424

Horizon Behavioral Health

Statement of Net Position

June 30, 2024

	2024	(For Comparative Purposes Only) 2023
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 9)	2,783,561	2,751,172
Deferred inflows related to other postemployment benefits (Note 10)	491,520	663,527
Deferred inflows related to leases	16,470	33,488
Total deferred inflows of resources	3,291,551	3,448,187
COMMITMENTS AND CONTINGENCIES (Note 13)	-	-
NET POSITION		
Net investment in capital assets	6,710,592	4,475,630
Restricted – net pension asset	18,606,219	15,359,612
Unrestricted	18,933,727	15,696,051
Total net position	**$ 44,250,538**	**$ 35,531,293**

The Notes to Financial Statements are an integral part of this statement.

Horizon Behavioral Health

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 11)	$ 32,396,398	$ 31,401,397
OPERATING EXPENSES		
Salaries and benefits	32,173,988	30,270,013
Staff development and recruitment	392,717	276,098
Facility	1,854,505	1,902,443
Supplies	1,368,787	1,272,125
Travel	161,905	185,229
Contractual and professional services	2,860,252	2,664,106
Leases	62,727	73,807
Insurance	283,015	367,427
Depreciation and amortization	1,511,562	1,587,294
Other	306,148	200,479
Total operating expenses	40,975,606	38,799,021
Operating loss	(8,579,208)	(7,397,624)
NONOPERATING REVENUES (EXPENSES)		
Commonwealth of Virginia grants	10,133,510	8,291,387
Federal grants	5,743,376	3,994,190
Contributions from participating local governments (Note 12)	1,194,530	1,072,757
Interest income	72,860	57,742
Interest expense	(336,162)	(405,166)
Other income	224,932	175,581
Gain on insurance claim	45,217	26,048
Gain on sale of capital assets	220,190	790,180
Net nonoperating revenues	17,298,453	14,002,719
Change in net position	8,719,245	6,605,095
NET POSITION AT JULY 1	35,531,293	28,926,198
NET POSITION AT JUNE 30	**$ 44,250,538**	**$ 35,531,293**

Horizon Behavioral Health

Statement of Cash Flows

Year Ended June 30, 2024

	2024	(For Comparative Purposes Only) 2023
OPERATING ACTIVITIES		
Receipts from clients, private insurers, Medicaid, and others	$ 30,809,074	$ 30,229,146
Payments to suppliers	(7,184,403)	(6,867,824)
Payments to and for employees	(35,570,687)	(31,759,791)
Net cash used in operating activities	(11,946,016)	(8,398,469)
NON-CAPITAL FINANCING ACTIVITIES		
Contributions from local, state, and federal governments	19,701,550	17,340,803
Other receipts	222,882	175,581
Net cash provided by non-capital financing activities	19,924,432	17,516,384
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,097,411)	(590,879)
Proceeds from the sale of capital assets	525,534	2,417,018
Proceeds from the issuance of debt	135,588	294,800
Principal paid on long-term liabilities	(967,510)	(2,455,127)
Interest paid on long-term liabilities	(336,162)	(433,603)
Net cash used in capital and related financing activities	(2,739,961)	(767,791)
INVESTING ACTIVITIES		
Interest received	72,860	57,742
Net cash provided by investing activities	72,860	57,742
Net increase in cash and cash equivalents	5,311,315	8,407,866
CASH AND CASH EQUIVALENTS		
Beginning at July 1	23,777,792	15,369,926
Ending at June 30	**$ 29,089,107**	**$ 23,777,792**
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 29,017,600	$ 23,680,567
Cash and cash equivalents, restricted for permanent support housing	71,507	97,225
	$ 29,089,107	**$ 23,777,792**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (8,579,208)	$ (7,397,624)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,511,562	1,587,294
Pension expense net of employer contributions	(2,993,236)	(1,430,824)
Other postemployment benefit expense net of employer contributions	(236,876)	(244,628)
Decrease (increase) in:		
Accounts receivable, net	(431,120)	332,658
Due from other governments	(1,198,951)	(1,339,539)
Prepaid expenses and other	109,559	1,936

Horizon Behavioral Health

Statement of Cash Flows

Year Ended June 30, 2024

	2024	(For Comparative Purposes Only) 2023
Increase (decrease) in:		
Accounts payable	(3,906)	71,024
Accrued payroll and related liabilities	(151,329)	33,571
Compensated absences	(15,258)	153,033
Due to other governments	42,747	(165,370)
Net cash used in operating activities	**$ (11,946,016)**	**$ (8,398,469)**
SCHEDULE OF NON-CASH ACTIVITIES		
Capital assets obtained through lease liabilities	**$ 254,735**	**$ -**

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

Horizon Behavioral Health (HBH) is a jointly governed entity that operates as an agent for the Counties of Amherst, Appomattox, Bedford, and Campbell, and the City of Lynchburg in the establishment and operation of community mental health disorders, developmental disabilities, and substance abuse programs 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, HBH provides treatment of community mental health disorders, developmental disabilities, and substance use disorders with a system of services that relate to, and are 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

Horizon Opportunities, Inc. (HOI) was established to hold title to certain real property on behalf of HBH. All real property owned by HOI is leased to HBH.

Although legally a separate entity, HOI is, in substance, part of HBH's operations, and shares some of the same Board of Directors as HBH. Financial information from this unit is combined with the financial statements of HBH as a blended component unit. HBH and this entity are collectively referred to herein as the "Board."

Measurement Focus and Basis of Accounting

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

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 factors change. Key factors that affect this calculation for the Board 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.

Valuation of Receivables

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

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

Capital Assets

Capital assets include property and equipment with an initial, individual cost of more than $5,000 ($2,500 for information systems equipment) 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.

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

Buildings and improvements	20 to 33 1/3 years
Furniture and equipment	3 to 10 years
Vehicles	5 years

Leased assets are amortized over the shorter of the lease term or useful life of the underlying asset.

Subscription assets are amortized over the shorter of the subscription term or useful life of the underlying capital IT asset.

Restricted Assets

The Board segregates funds held for permanent supportive housing.

Unearned Revenue

Unearned revenue consists of amounts which have been received, 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 such expenses are not incurred, the funds may revert back to the grantor.

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 represent a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then.

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

The Board has the following items that qualify for reporting as deferred inflows or outflows:

- Contributions subsequent to the measurement date for pensions and other postemployment benefits (OPEB) are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the remaining service life of employees subject to the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportionate share between measurement dates on the OPEB liability. This difference will be recognized in OPEB expense over the remaining service life of the employees subject to the plan, and is reflected as a deferred inflow or outflow as appropriate.
- Changes in assumptions on OPEB investments. This difference will be recognized in OPEB 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 Board is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received 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.

Income Taxes

HOI is exempt from federal and state income tax under Section 501(c)(3) of the *Internal Revenue Code*. HBH is exempt from such taxes as a governmental entity. Accordingly, the accompanying financial statements do not reflect a provision for income taxes.

Compensated Absences

Employees are entitled to certain compensated absences based upon length of employment. Effective January 1, 2015 a new sick leave policy was established in that unused sick leave balances may not be carried over into the next calendar year. Legacy employees are allowed to keep and carry over their previous sick leave balances earned prior to January 1, 2014. However, upon separation, legacy employees with five or more consecutive years of service shall be paid up to the lesser of $2,500 or 25% of the sick leave balance. Other sick leave does not vest with the employee and is recorded as an expense when paid. Vacation and certain other compensated absences do vest with the employee. A provision for these vested compensated absences has been recorded in the financial statements. Because the timing of the use of the benefit is not estimable, all of the liability has been classified as current.

Net Position

At June 30, 2024, restricted net position consists of the Board's net pension asset. The balance of the asset is restricted for expected future pension payments.

Rental Income

HOI owns various properties which are leased to HBH. Rental income is recognized as earned. Intercompany activity is eliminated from the financial statements.

Pensions and Other Postemployment Benefits (OPEB)

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

Subscription-Based Information Technology Arrangements

The Board has SBITAs for various software platforms for periods expiring between July 2025 and July 2026. The Board 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 5. The related liability as well as principal and interest requirements to maturity are disclosed in Note 7.

Leases

Key estimates and judgements include how the Board 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 Board uses an estimated incremental borrowing rate as the discount rate for lease.
- 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 Board 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 Board is a lessee for noncancellable leases of buildings. The Board 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 Board 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 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 Board 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). Current Board policy is to automatically invest cash reserves on a daily basis through the use of repurchase agreements and in a money market mutual fund with the Board’s bank. All investments were held in a money market fund at June 30, 2024.

Concentration of Credit Risk

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

Interest Rate Risk

The Board’s investment policy does not address interest rate risk, but at June 30, the Board had no investments other than a money market mutual fund.

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

Deposits and investments		
Cash on hand	$	600
Deposits		29,088,507
	$	**29,089,107**
Statement of net position		
Cash and cash equivalents	$	29,017,600
Cash and cash equivalents, restricted for permanent support housing		71,507
	$	**29,089,107**

Note 3 – Accounts Receivable

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	$	1,809,622
Direct client		2,318,834
Third-party insurers and other		262,300
		4,390,756
Allowance for uncollectible accounts		(2,201,091)
	$	**2,189,665**

Note 4 – Due From Other Governments

Amounts are due from other governments for the reimbursement of expenditures and fees for services provided under various programs and grants, and consist of the following:

DMAS ICF – MR	$	2,312,293
Other programs		766,303
	$	**3,078,596**

Note 5 – Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable				
Land	$ 1,835,865	$ 253,031	$ (76,700)	$ 2,012,196
Construction in progress	25,000	1,279,257	-	1,304,257
Capital assets, nondepreciable	1,860,865	1,532,288	(76,700)	3,316,453
Capital assets, depreciable				
Building and improvements	16,314,148	135,013	(225,300)	16,223,861
Furniture and equipment	1,510,606	38,385	(10,614)	1,538,377
Vehicles	1,254,315	391,725	(56,334)	1,589,706
Capital assets, depreciable	19,079,069	565,123	(292,248)	19,351,944
Less accumulated depreciation	(7,739,177)	(1,107,589)	108,821	(8,737,945)
Capital assets, depreciable, net	11,339,892	(542,466)	(183,427)	10,613,999
Capital assets, net	13,200,757	989,822	(260,127)	13,930,452
Lease assets				
Buildings	557,958	254,735	-	812,693
Vehicles	96,843	-	(96,843)	-
Less accumulated amortization	(356,318)	(106,279)	96,843	(365,754)
Total lease assets being amortized, net	298,483	148,456	-	446,939
Subscription right-to-use assets	1,636,108	-	(193,030)	1,443,078
Less accumulated amortization	(757,464)	(297,694)	193,030	(862,128)
Total subscription assets, net	878,644	(297,694)	-	580,950
Total capital assets, net	**$ 14,377,884**	**$ 840,584**	**$ (260,127)**	**$ 14,958,341**

Note 6 – Line of Credit

The Board has a $1,500,000 revolving bank line of credit which bears interest at a variable rate (8.50% at June 30, 2024). The line has no specified maturity date and is payable on demand. The line had no outstanding balance at June 30, 2024. The line of credit is secured by real property.

Note 7 – 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 payable from direct borrowings	$ 7,561,844	$ 135,588	$ (573,402)	$ 7,124,030	$ 442,970
Lease liabilities	333,824	254,735	(102,322)	486,237	128,154
Subscription liabilities	929,268	-	(291,786)	637,482	311,447
Compensated absences	1,645,265	125,383	(140,641)	1,630,007	1,630,007
	$ 10,470,201	**$ 515,706**	**$ (1,108,151)**	**$ 9,877,756**	**$ 2,512,578**

Annual debt service requirements are as follows:

Fiscal Year	Principal	Interest
2025	$ 442,970	$ 270,248
2026	463,619	246,029
2027	483,442	224,629
2028	501,226	208,556
2029	502,067	188,160
2030-2034	2,678,748	640,526
2035-2039	1,705,189	173,387
2040-2044	346,769	14,789
	$ 7,124,030	**$ 1,966,324**

Details of notes payable from direct borrowings are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Due
Amherst Wellness Center	3.50%	Jan. 2022	Jan. 2042	$ 1,296,250	$ 1,183,024
Mortgage payable	5.35	June 2018	June 2038	280,000	227,658
Powell-Pearson ICF mortgage payable	4.75(2)	Aug. 2022	Aug. 2032	294,800	250,577
Dell Server Farm	3.00	June 2022	Oct. 2023	94,053	-
Bedford Wellness Center	3.85	Nov. 2020	Nov. 2040	1,282,500	1,119,371
Timothy/Bethany Mortgage	6.50	Nov. 2023	Nov. 2028	135,588	121,963
Langhorne Mortgage	3.65(1)	July 2016	July 2036	6,100,000	4,221,437
					$ 7,124,030

(1) The current rate of 3.65% at June 2024 is fixed for sixty months, and is then subject to adjustment thereon each five years. The next adjustment is scheduled for August 2026.

(2) The current rate of 4.75% at June 2024 is fixed for sixty months, and is then subject to adjustment thereon each five years. The next adjustment is scheduled for September 2027.

Notes payable from direct borrowings are secured by real estate or specific equipment.

Annual requirements for long-term lease and subscription liabilities are as follows:

	Leases		Subscriptions	
	Principal	Interest	Principal	Interest
2025	$ 128,154	$ 27,414	$ 311,447	$ 20,726
2026	117,546	20,722	300,368	8,157
2027	128,580	12,830	25,667	92
2028	73,277	6,899	-	-
2029	38,680	1,234	-	-
	$ 486,237	**$ 69,099**	**$ 637,482**	**$ 28,975**

Short-Term Leases

The Board leases equipment, under terms which are less than a year. Rental expense related to these short-term leases for 2024 totaled $28,643.

HOI leases office space and other facilities to the Board. 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 – Unearned Revenues

Unearned revenues consist of the following:

Local grants	$	5,692
Regional grants		1,292,718
State grants		4,157,610
Federal grants		3,501,918
	$	**8,957,938**

Note 9 – Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of Horizon Behavioral Health, (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.

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:

	Members
Inactive members or their beneficiaries currently receiving benefits	239
Inactive members	
Vested inactive members	259
Non-vested inactive members	585
Inactive members active elsewhere in VRS	234
Total inactive members	1,078
Active members	441
Total covered employees	**1,758**

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 1.27% 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 $159,393 and $155,763 for the years ended June 30, 2024 and June 30, 2023, respectively.

Net Pension Liability (Asset)

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

Actuarial Assumptions

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

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

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

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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%
*Expected arithmetic nominal return			**8.25%**

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

Discount Rate

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

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) – (b)**
Balances at June 30, 2022	$ 64,053,510	$ 79,413,122	$ (15,359,612)
Changes for the year			
Service cost	1,762,737	-	1,762,737
Interest	4,358,553	-	4,358,553
Differences between expected and actual experience	(3,093,125)	-	(3,093,125)
Contributions – employer	-	155,763	(155,763)
Contributions – employee	-	1,044,497	(1,044,497)
Net investment income	-	5,123,404	(5,123,404)
Benefit payments, including refunds of employee contributions	(2,490,172)	(2,490,172)	-
Administrative expenses	-	(50,951)	50,951
Other changes	-	2,059	(2,059)
Net changes	537,993	3,784,600	(3,246,607)
Balances at June 30, 2023	**$ 64,591,503**	**$ 83,197,722**	**$ (18,606,219)**

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

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

	1.00% Decrease (5.75%)	**Current Discount Rate (6.75%)**	**1.00% Increase (7.75%)**
Political subdivision's net pension liability (asset)	**$ (7,648,108)**	**$ (18,606,219)**	**$ (26,624,890)**

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 $2,833,864. 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	$ -	$ 1,531,407
Net difference between projected and actual earnings on pension plan investments	-	1,252,154
Employer contributions subsequent to the measurement date	159,393	-
	$ 159,393	**$ 2,783,561**

The $159,393 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	$ (2,439,235)
2026	(1,518,294)
2027	1,135,607
2028	38,361
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.

Note 10 – Other Postemployment Benefits Liability – Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

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

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

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

Contributions

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

Group Life Insurance Program

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2024 Contribution	$132,887
June 30, 2023 Contribution	$120,820

In June 2023, the Commonwealth made a special contribution of approximately $10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session.

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

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

Group Life Insurance Program

June 30, 2024 proportionate share of liability	$	1,157,098
June 30, 2023 proportion		0.09648%
June 30, 2022 proportion		0.09949%
June 30, 2024 benefit	$	81,106

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

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

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 150,750	$ 35,124
Change in assumptions	24,733	80,168
Net difference between projected and actual earnings on OPEB plan investments	-	46,499
Changes in proportion	-	329,729
Employer contributions subsequent to the measurement date	132,887	-
	$ 308,370	**$ 491,520**

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

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2025	$ (132,158)
2026	(140,347)
2027	(44,254)
2028	(39,614)
2029	5,152
Thereafter	35,184

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation	GLI: 6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 9.

Net OPEB Liabilities

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

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

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

Long-Term Expected Rate of Return

Group Life Insurance

The long-term expected rate of return on VRS investments was determined using the method described in Note 9.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2023 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	**$ 1,715,180**	**$ 1,157,098**	**$ 705,884**

OPEB Plan Fiduciary Net Position

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

Note 11 – Net Client Service Revenue

Net client service revenue arose from the following sources, including adjustments and write-offs:

Medicaid	$	31,263,522
Direct client fees		270,004
Third-party and other		862,872
	$	**32,396,398**

Note 12 – Contributions from Participating Local Governments

Contributions from participating local governments were as follows:

County of Amherst	$	164,410
County of Appomattox		48,480
County of Bedford		116,000
County of Campbell		215,760
City of Lynchburg		649,880
	$	**1,194,530**

Note 13 – 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, future disallowances of current grant program expenditures, if any, would be immaterial.

The Board is also occasionally the subject of litigation in the course of conducting its business. The Board has recorded no provision for adverse outcomes of such matters as of June 30, 2024.

Note 14 – Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; the health of and injuries to employees; and natural disasters. The Board participates in the Virginia Association of Counties Group Self-Insurance Risk Pool for various liability coverages which have up to $4,000,000 in coverage limits. The Board participates in the Virginia Municipal League Risk Pool for workers compensation coverage.

There are no surety bonds for directors. The Board assumes risks related to co-insurance, policy deductibles, and claims which exceed insurance coverage. There have been no settlements that have exceeded the insurance coverage in the last three years and there has been no reduction in the amount of insurance coverage from the prior year.

Note 15 – Subsequent Event

The Board signed a contract on August 1, 2024, for the renovation of the property located at 1204 Fenwick Drive, Lynchburg Virginia for $11,053,300. This property will be the future site of the Crisis Receiving Center. The building was purchased with grant funds that require the facility be used for its intended purpose for fifteen years.

Note 16 – New Accounting Standards

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

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

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

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

Required Supplementary Information

Horizon Behavioral Health

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

	Plan Year Ended June 30,			
	2023	**2022**	**2021**	**2020**
Total Pension Liability				
Service cost	$ 1,762,737	$ 1,874,834	$ 1,987,178	$ 2,077,098
Interest on total pension liability	4,358,553	4,172,351	3,745,616	3,573,567
Changes in assumptions	-	-	1,888,221	-
Difference between expected and actual experience	(3,093,125)	(618,269)	(756,708)	(1,078,223)
Benefit payments, including refunds of employee contributions	(2,490,172)	(2,626,349)	(2,207,954)	(1,839,156)
Net change in total pension liability	537,993	2,802,567	4,656,353	2,733,286
Total pension liability – beginning	64,053,510	61,250,943	56,594,590	53,861,304
Total pension liability – ending	64,591,503	64,053,510	61,250,943	56,594,590
Plan Fiduciary Net Position				
Contributions – employer	155,763	248,839	273,917	403,686
Contributions – employee	1,044,497	986,152	1,077,978	1,139,965
Net investment income	5,123,404	(72,371)	17,575,907	1,213,813
Benefit payments, including refunds of employee contributions	(2,490,172)	(2,626,349)	(2,207,954)	(1,839,156)
Administrative expenses	(50,951)	(50,474)	(43,358)	(40,705)
Other	2,059	1,866	1,661	(1,449)
Net change in plan fiduciary net position	3,784,600	(1,512,337)	16,678,151	876,154
Plan fiduciary net position – beginning	79,413,122	80,925,459	64,247,308	63,371,154
Plan fiduciary net position – ending	83,197,722	79,413,122	80,925,459	64,247,308
Net pension asset – ending	**$ (18,606,219)**	**$ (15,359,612)**	**$ (19,674,516)**	**$ (7,652,718)**
Plan fiduciary net position as a percentage of total pension liability	**129%**	**124%**	**132%**	**114%**
Covered payroll	**$ 22,723,269**	**$ 21,641,978**	**$ 23,703,782**	**$ 24,949,100**
Net pension liability as a percentage of covered payroll	**-82%**	**-71%**	**-83%**	**-31%**

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

	Plan Year Ended June 30,					
	2019	**2018**	**2017**	**2016**	**2015**	**2014**
	$ 2,212,712	$ 2,316,788	$ 2,478,052	$ 2,505,241	$ 2,504,039	$ 2,370,183
	3,363,012	3,209,593	3,118,283	2,944,753	2,717,081	2,469,215
	1,850,559	-	(1,037,874)	-	-	-
	(643,115)	(1,462,637)	(1,543,952)	(1,455,756)	(565,689)	-
	(1,929,776)	(1,814,310)	(1,605,870)	(1,424,585)	(1,381,362)	(1,215,558)
	4,853,392	2,249,434	1,408,639	2,569,653	3,274,069	3,623,840
	49,007,912	46,758,478	45,349,839	42,780,186	39,506,117	35,882,277
	53,861,304	49,007,912	46,758,478	45,349,839	42,780,186	39,506,117
	430,167	728,595	752,156	1,177,237	1,166,912	1,166,497
	1,160,625	1,277,533	1,278,865	1,336,204	1,286,158	1,265,264
	4,004,643	4,116,573	6,034,147	867,280	2,054,083	5,924,501
	(1,929,776)	(1,814,310)	(1,605,870)	(1,424,585)	(1,381,362)	(1,215,558)
	(38,844)	(34,656)	(33,714)	(28,351)	(26,630)	(30,598)
	(2,529)	(3,708)	(5,422)	(358)	(438)	312
	3,624,286	4,270,027	6,420,162	1,927,427	3,098,723	7,110,418
	59,746,868	55,476,841	49,056,679	47,129,252	44,030,529	36,920,111
	63,371,154	59,746,868	55,476,841	49,056,679	47,129,252	44,030,529
	$ (9,509,850)	**$ (10,738,956)**	**$ (8,718,363)**	**$ (3,706,840)**	**$ (4,349,066)**	**$ (4,524,412)**
	118%	**122%**	**119%**	**108%**	**110%**	**111%**
	$ 25,251,856	**$ 27,722,455**	**$ 27,374,716**	**$ 27,409,338**	**$ 26,463,462**	**$ 26,048,966**
	-38%	**-39%**	**-32%**	**-14%**	**-16%**	**-17%**

Horizon Behavioral Health

Required Supplementary Information
Schedule of Pension Contributions
June 30, 2024

Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	$ 159,393	$ 159,393	$ -	$ 24,764,633	0.64 %
2023	155,763	155,763	-	22,723,269	0.69
2022	248,942	248,942	-	21,641,978	1.15
2021	273,939	273,939	-	23,703,782	1.16
2020	402,238	402,238	-	24,949,100	1.61
2019	430,120	430,120	-	25,251,856	1.70
2018	728,846	728,846	-	27,722,455	2.63
2017	697,515	697,515	-	27,374,716	2.55
2016	1,175,676	1,175,676	-	27,409,338	4.29
2015	1,164,448	1,164,448	-	26,463,462	4.40

The covered payroll amounts above are for the Board's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

Horizon Behavioral Health

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

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance – General Employees					
2024	0.0965 %	$ 1,157,098	$ 22,723,269	5.09 %	69.30 %
2023	0.0995	1,197,956	21,641,978	5.54	67.21
2022	0.1148	1,336,538	23,703,782	5.64	67.45
2021	0.1216	2,029,138	24,949,100	8.13	52.64
2020	0.1295	2,106,985	25,251,856	8.34	52.00
2019	0.1466	2,226,000	27,722,455	8.03	51.22
2018	0.1493	2,247,000	27,374,716	8.21	48.86

This schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

Horizon Behavioral Health

Required Supplementary Information
Schedule of OPEB Contributions - VRS GLI
June 30, 2024

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System – Group Life Insurance – General Employees					
2024	$ 132,887	$ 132,887	$ -	$ 24,764,633	0.54 %
2023	120,820	120,820	-	22,723,269	0.53
2022	116,987	116,987	-	21,641,978	0.54
2021	84,361	84,361	-	23,703,782	0.36
2020	155,173	155,173	-	24,949,101	0.62
2019	152,018	152,018	-	25,251,856	0.60
2018	146,457	146,457	-	27,722,455	0.53

This schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

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.

Other Postemployment Benefits (OPEB)

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

Note 2 – Changes of Assumptions

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

Non-Hazardous Duty:

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

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Other Supplementary Information

Horizon Behavioral Health

Combining Statement of Net Position

June 30, 2024

	Horizon Behavioral Health	Horizon Opportunities Inc.	Inter-Company Eliminations	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	$ 28,382,090	$ 635,510	$ -	$ 29,017,600
Accounts receivable, net	2,189,665	-	-	2,189,665
Lease receivable	16,470	-	-	16,470
Due from other governments	3,078,596	-	-	3,078,596
Prepaid expenses and other	1,310,021	-	(1,040,326)	269,695
Total current assets	34,976,842	635,510	(1,040,326)	34,572,026
NONCURRENT ASSETS				
Cash and cash equivalents, restricted for permanent support housing	71,507	-	-	71,507
Net pension asset	18,606,219	-	-	18,606,219
Capital assets, net	4,819,027	10,139,314	-	14,958,341
Total noncurrent assets	23,496,753	10,139,314	-	33,636,067
Total assets	58,473,595	10,774,824	(1,040,326)	68,208,093
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	159,393	-	-	159,393
Deferred outflows related to other postemployment benefits	308,370	-	-	308,370
Total deferred outflows of resources	467,763	-	-	467,763
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES				
Accounts payable	445,186	8,125	-	453,311
Accrued payroll and related liabilities	607,632	-	-	607,632
Due to other governments	80,032	-	-	80,032
Unearned revenue	8,957,938	81,742	(81,742)	8,957,938
Current portion of long-term liabilities	2,069,608	842,211	(399,241)	2,512,578
Total current liabilities	12,160,396	932,078	(480,983)	12,611,491
LONG-TERM LIABILITIES				
Net other postemployment benefit liability	1,157,098	-	-	1,157,098
Due in more than one year	684,117	7,240,404	(559,343)	7,365,178
Total long-term liabilities	1,841,215	7,240,404	(559,343)	8,522,276
Total liabilities	14,001,611	8,172,482	(1,040,326)	21,133,767
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	2,783,561	-	-	2,783,561
Deferred inflows related to other postemployment benefits	491,520	-	-	491,520
Deferred inflows related to leases	16,470	-	-	16,470
Total deferred inflows of resources	3,291,551	-	-	3,291,551

Horizon Behavioral Health

Combining Statement of Net Position

June 30, 2024

	Horizon Behavioral Health	Horizon Opportunities Inc.	Inter-Company Eliminations	Total
NET POSITION				
Net investment in capital assets	3,695,309	3,015,283	-	6,710,592
Restricted – net pension asset	18,606,219	-	-	18,606,219
Unrestricted	19,346,668	(412,941)	-	18,933,727
Total net position	**$ 41,648,196**	**$ 2,602,342**	**$ -**	**$ 44,250,538**

Horizon Behavioral Health

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

Year Ended June 30, 2024

	Horizon Behavioral Health	Horizon Opportunities Inc.	Inter-Company Eliminations	Total
OPERATING REVENUES				
Net client service revenue	$ 32,396,398	$ -	$ -	$ 32,396,398
OPERATING EXPENSES				
Salaries and benefits	32,173,988	-	-	32,173,988
Staff development and recruitment	392,717	-	-	392,717
Facility	1,854,505	-	-	1,854,505
Supplies	1,368,787	-	-	1,368,787
Travel	161,905	-	-	161,905
Contractual and professional services	2,827,402	32,850	-	2,860,252
Leases	1,053,880	-	(991,153)	62,727
Insurance	283,015	-	-	283,015
Depreciation and amortization	1,043,572	467,990	-	1,511,562
Other	206,872	99,276	-	306,148
Total operating expenses	41,366,643	600,116	(991,153)	40,975,606
Operating loss	(8,970,245)	(600,116)	991,153	(8,579,208)
NONOPERATING REVENUES (EXPENSES)				
Commonwealth of Virginia grants	9,863,433	270,077	-	10,133,510
Federal grants	4,495,155	1,248,221	-	5,743,376
Contributions from participating local governments	1,194,530	-	-	1,194,530
Interest income	105,567	-	(32,707)	72,860
Interest expense	(53,026)	(315,843)	32,707	(336,162)
Other income	213,981	1,002,104	(991,153)	224,932
Gain on insurance claim	45,217	-	-	45,217
Gain on sale of capital assets	4,629	215,561	-	220,190
Net nonoperating revenues	15,869,486	2,420,120	(991,153)	17,298,453
Change in net position	6,899,241	1,820,004	-	8,719,245
NET POSITION, at July 1	34,748,955	782,338	-	35,531,293
NET POSITION, at June 30	**$ 41,648,196**	**$ 2,602,342**	**$ -**	**$ 44,250,538**

Horizon Behavioral Health

Combining Statement of Cash Flows

Year Ended June 30, 2024

	Horizon Behavioral Health	Horizon Opportunities Inc.	Inter-Company Eliminations	Total
OPERATING ACTIVITIES				
Receipts from clients, private insurers, Medicaid, and others	$ 30,809,074	$ -	$ -	$ 30,809,074
Payments to suppliers	(8,051,555)	(124,001)	991,153	(7,184,403)
Payments to and for employees	(35,570,687)	-	-	(35,570,687)
Net cash used in operating activities	(12,813,168)	(124,001)	991,153	(11,946,016)
NON-CAPITAL FINANCING ACTIVITIES				
Contributions from local, state, and federal governments	18,183,252	1,518,298	-	19,701,550
Other receipts	213,981	1,000,054	(991,153)	222,882
Net cash provided by non-capital financing activities	18,397,233	2,518,352	(991,153)	19,924,432
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(579,113)	(1,518,298)	-	(2,097,411)
Receipts from other notes receivable	118,734	-	(118,734)	-
Proceeds from sale of capital assets	71,989	453,545	-	525,534
Proceeds from the issuance of debt	-	135,588	-	135,588
Principal paid on long-term liabilities	(413,203)	(673,041)	118,734	(967,510)
Interest paid on long-term liabilities	(53,026)	(315,843)	32,707	(336,162)
Net cash used in capital and related financing activities	(854,619)	(1,918,049)	32,707	(2,739,961)
INVESTING ACTIVITIES				
Interest received	105,567	-	(32,707)	72,860
Net cash provided by investing activities	105,567	-	(32,707)	72,860
Net increase in cash and cash equivalents	4,835,013	476,302	-	5,311,315
CASH AND CASH EQUIVALENTS				
Beginning at July 1	23,618,584	159,208	-	23,777,792
Ending at June 30	**$ 28,453,597**	**$ 635,510**	**$ -**	**$ 29,089,107**
RECONCILIATION TO STATEMENT OF NET POSITION				
Cash and cash equivalents	$ 28,382,090	$ 635,510	$ -	$ 29,017,600
Cash and cash equivalents, restricted for permanent support housing	71,507	-	-	71,507
	$ 28,453,597	**$ 635,510**	**$ -**	**$ 29,089,107**

Horizon Behavioral Health

Combining Statement of Cash Flows

Year Ended June 30, 2024

	Horizon Behavioral Health	Horizon Opportunities Inc.	Inter-Company Eliminations	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES				
Operating loss	$ (8,970,245)	$ (600,116)	$ 991,153	$ (8,579,208)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization	1,043,572	467,990	-	1,511,562
Pension expense net of employer contributions	(2,993,236)	-	-	(2,993,236)
Other postemployment benefit expense net of employer contributions	(236,876)	-	-	(236,876)
Decrease (increase) in:				
Accounts receivable, net	(431,120)	-	-	(431,120)
Due from other governments	(1,198,951)	-	-	(1,198,951)
Prepaid expenses and other	109,559	-	-	109,559
Increase (decrease) in:				
Accounts payable	(12,031)	8,125	-	(3,906)
Accrued payroll and related liabilities	(151,329)	-	-	(151,329)
Compensated absences	(15,258)	-	-	(15,258)
Due to other governments	42,747	-	-	42,747
Net cash used in operating activities	**$ (12,813,168)**	**$ (124,001)**	**$ 991,153**	**$ (11,946,016)**
SCHEDULE OF NON-CASH ACTIVITIES				
Capital assets obtained through lease liabilities	**$ 254,735**	**$ -**	**$ -**	**$ 254,735**

Compliance Section

BROWNEDWARDS
certified public accountants

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

To the Board of Directors
Horizon Behavioral Health
Lynchburg, 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 Horizon Behavioral Health (the "Board"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 22, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 22, 2024

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
Horizon Behavioral Health
Lynchburg, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

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

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Board's compliance 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 Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 22, 2024

Horizon Behavioral Health

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Award Date	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
Department of Health and Human Services				
Direct Payments				
Substance Abuse and Mental Health Grants	06/07/2023			
	06/28/2022			
	06/12/2020	93.243	N/A	$ 1,026,807
Drug Free Community Grant	10/30/2019	93.276	N/A	148,804
HRSA Rural Health Care Grant	03/30/2021	93.912	N/A	193,586
Pass-Through Payments				
Virginia Department of Behavioral Health and Developmental Services				
Block Grants for Community Mental Health Services	11/17/2022	93.958	445006	180,301
Block Grants for the Prevention and Treatment of Substance-Use Disorder	02/10/2022	93.959	445001	127,092
	02/16/2023	93.959	445001	1,398,390
COVID-19 ARPA-Mental Health	05/17/2021	93.958	445006	222,893
COVID-19 ARPA-Substance-Use Disorder	05/17/2021	93.958	445006	193,129
	08/10/2021	93.959	445001	27,498
Consolidated Appropriations Act-Mental Health	03/11/2021	93.958	445006	172,979
Consolidated Appropriations Act-Substance Use	03/11/2021	93.959	445001	116,338
Virginia Opioid Prevention, Treatment and Recovery – State Opioid Response	08/10/2021			
	09/23/2022			
	09/05/2023	93.788	445001	403,843
Total Department of Health and Human Services				4,211,660
Department of Justice				
Direct Payments				
Treatment Court Discretionary Grant Program	12/17/2021	16.585	N/A	146,747
Pass-Through Payments				
Virginia Department of Social Services				
Crime Victim Assistance	05/26/2023	16.575	390002	13,811
Total Department of Justice				160,558
US Department of Treasury				
Pass-Through Payments				
Virginia Department of Behavioral Health and Developmental Services				
COVID-19 – Coronavirus State and Local Recovery Funds	03/03/2021	21.027	445006	61,338
	01/23/2023	21.027	445006	1,275,726
	02/02/2023	21.027	445006	34,094
Total US Department of Treasury				1,371,158
Total expenditures of federal awards				**$ 5,743,376**

Horizon Behavioral Health

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Notes to Schedule of Expenditures of Federal Awards:

This schedule is prepared on the accrual basis of accounting.

Horizon Behavioral Health did not use the 10% de minimis indirect cost rate, but had a negotiated indirect cost rate of 24.90% during fiscal year 2024.

At June 30, 2024, Horizon Behavioral Health had no outstanding loan balances requiring continuing disclosure.

Horizon Behavioral Health

Summary of Compliance Matters

June 30, 2024

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

State Compliance Matters

Code of Virginia
- 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.

Horizon Behavioral Health

Schedule of Findings and Questioned Costs

June 30, 2024

A – Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No material weaknesses and no significant deficiencies relating to the audit of the financial statements are 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 and no significant deficiencies relating to the audit of the major federal award programs 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 no audit findings relating to the major programs.
7. The program tested as major was:

Name of Program	Assistance Listing Number
Coronavirus State and Local Fiscal Recovery Funds	21.027
Block Grants for the Prevention and Treatment of Substance Abuse	93.959

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

B – Findings – Financial Statement Audit

None.

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

None.

D – Findings – Commonwealth of Virginia

None.