

HARRISONBURG-ROCKINGHAM
COMMUNITY SERVICES BOARD



FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

**HARRISONBURG-ROCKINGHAM
COMMUNITY SERVICES BOARD**

HARRISONBURG, VIRGINIA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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INTRODUCTORY SECTION

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2025

BOARD OF DIRECTORS

J. M. Monger, Chair

Cheryl Mast, Vice-Chair

Seth Stauffer, Secretary

Carrie Budd, Treasurer

William Holland

Meagan Driver

Jennifer Mongold

Dr. Philip Wishon

Sheriff Bryan Hutcheson

Craig Anders

PRINCIPAL MANAGEMENT TEAM

Rebekah Brubaker

Executive Director

Barbara Brady

Administrative Services Director

George Nipe III

Behavioral Health Services Director

John Malone

Developmental Services Director

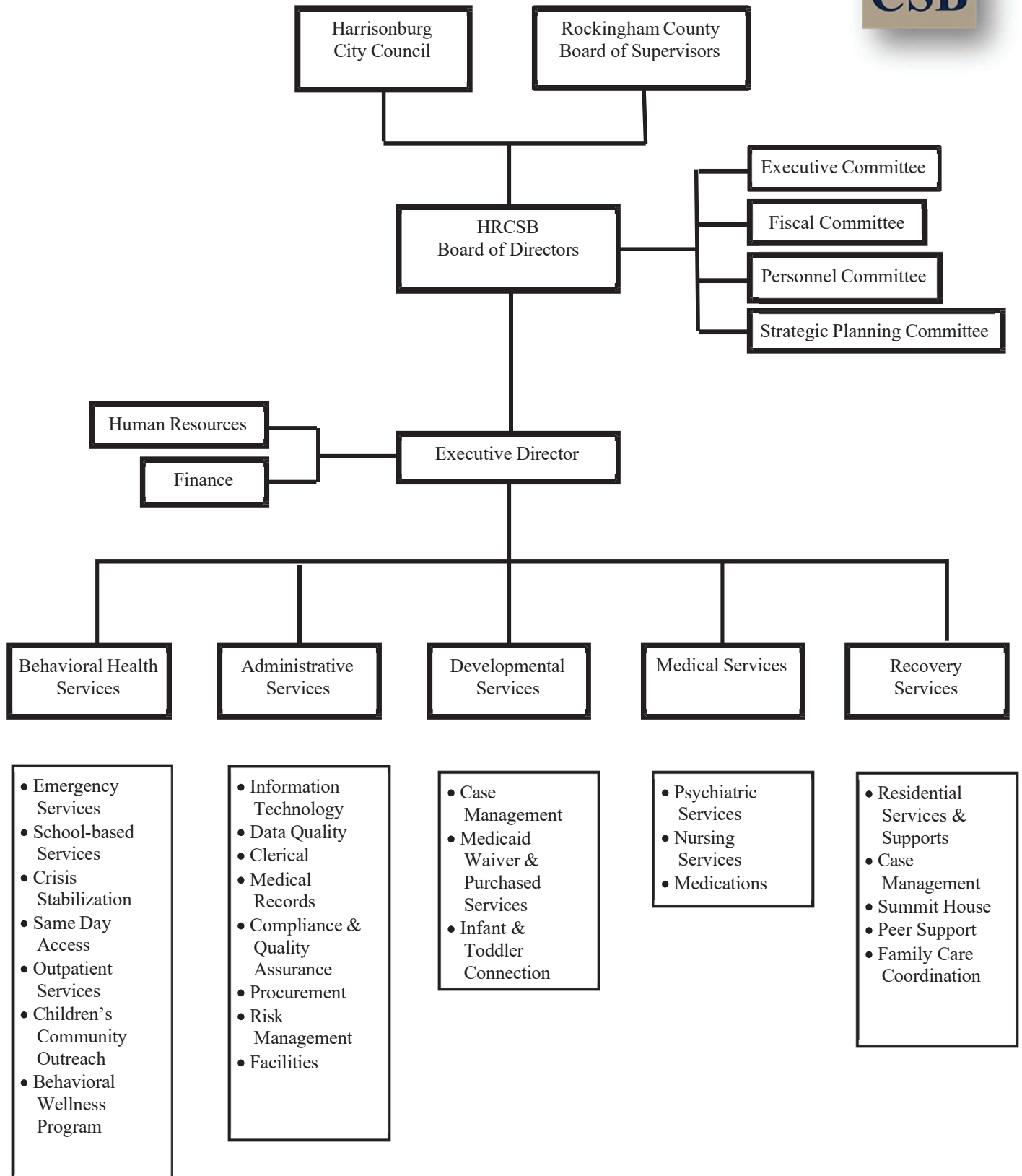
Adam Yoder

Community Mental Health Services Director

Andrea Skaffen

Crisis Services Director

Organizational Chart



HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

ORGANIZATIONAL INFORMATION

MISSION STATEMENT

The Harrisonburg-Rockingham Community Services Board provides services that promote dignity, choice, recovery, and the highest possible level of participation in work, relationships, and all aspects of community life for individuals and their families whose lives are affected by behavioral health or developmental disorders.

Adopted by the CSB Board of Directors on September 8, 2009

MAJOR PROGRAMS

Harrisonburg-Rockingham Community Services Board provides community-based mental health, intellectual disabilities, and substance abuse programs, including:

24-Hour Emergency
Services Adult Services
Children & Family
Services Infant Services

Programs are licensed by the Virginia Department of Behavioral Health and Developmental Services. Services may have eligibility requirements.

FACILITIES

1241 North Main Street, Harrisonburg – Adult & Children’s Services and Administration
1353 North Main Street, Harrisonburg – Crisis Stabilization Program
463 East Washington Street, Harrisonburg – Developmental Services
1888 Pear Street, Harrisonburg – Clubhouse Program
477 East Market Street, Harrisonburg – Residential Program
1241 Harmony Drive, Harrisonburg – Residential Program
1710 Park Road, Harrisonburg – Residential Program

CONTACT INFORMATION

You may contact the Harrisonburg-Rockingham Community Services Board by:

Telephone: (540) 434-1941
TDD: (540) 434-1941
Fax: (540) 434-1791
Web Page: www.hrcsb.org
Mail: 1241 North Main Street
Harrisonburg, VA 22802

FINANCIAL SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS
HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD
HARRISONBURG, VIRGINIA**

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Change in Accounting Principle

As described in Note 20 to the financial statements, in 2025, the Board adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 21 to the financial statements, in 2025, the Board restated beginning balances to reflect the requirements of GASB Statement No. 101, *Compensated Absences*, and to correct unearned revenue and capital assets. Our opinion is not modified with respect to this matter.

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.

Responsibilities of Management for the Financial Statements (Continued)

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 Harrisonburg-Rockingham Community Services Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Harrisonburg-Rockingham Community Services Board's basic financial statements. The accompanying combining schedules 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 schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2026, on our consideration of the Harrisonburg-Rockingham Community Services Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Harrisonburg-Rockingham Community Services Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harrisonburg-Rockingham Community Services Board's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Assoc.

Staunton, Virginia
June 2, 2026

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Harrisonburg-Rockingham Community Services Board's (the "Board") activities and financial performance provides the reader with an introduction and overview to the Board's financial statements for the fiscal year ended June 30, 2025.

Following this MD&A are the basic financial statements of the Board, together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. The Rockingham-Harrisonburg Halfway House Corporation is considered to be a component unit for inclusion in the Board's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. Since the Board is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

The enterprise funds of the Board consist of the Harrisonburg-Rockingham CSB and the Rockingham-Harrisonburg Halfway House, Inc.

Enterprise fund financial statements. The enterprise fund financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on the Board's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as one indicator of the trending financial position of the Board.

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing how the Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in a future fiscal period, such as staff leave earned, but unused as of June 30, 2025.

The basic enterprise fund financial statements can be found on pages 5 through 7 of this report.

Notes to financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 8 through 43 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Board's progress in funding its obligation to provide other postemployment benefits (OPEB) for its employees, changes in net pension liability, pension contributions, and changes to pension benefit terms and assumptions. Required supplementary information can be found on pages 44 through 56 of this report.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2025 FINANCIAL HIGHLIGHTS

The Board's financial statements are reported on the full accrual basis as required by generally accepted accounting principles. On this basis, the Board reported revenues of \$20,038,233 and expenditures of \$19,411,548, producing a net gain of \$626,685 for the year.

The Board's net position totaled \$33,000,873 as of June 30, 2025, of which \$17,785,354 is available to spend at the discretion of the agency's Board of Directors in support of the Board's mission. All operations are supported through current financial resources.

Financial Position: The following is a summary of the Harrisonburg-Rockingham CSB's Statement of Net Position, including all programs and operations, for June 30, 2025 and 2024:

Statement of Net Position		
	2025	2024*
ASSETS		
Current assets	\$ 27,211,279	\$ 24,189,935
Noncurrent assets	17,942,111	18,690,195
Total assets	<u>\$ 45,153,390</u>	<u>\$ 42,880,130</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total deferred outflows of resources	<u>\$ 1,112,691</u>	<u>\$ 513,800</u>
LIABILITIES		
Current liabilities	\$ 8,448,069	\$ 5,883,923
Long-term liabilities	3,474,250	3,698,448
Total liabilities	<u>\$ 11,922,319</u>	<u>\$ 9,582,371</u>
DEFERRED INFLOWS OF RESOURCES		
Total deferred inflows of resources	<u>\$ 1,342,889</u>	<u>\$ 1,437,371</u>
NET POSITION		
Net investment in capital assets	\$ 11,937,149	\$ 12,429,879
Restricted for employee pensions and benefits	3,278,370	3,322,735
Unrestricted	17,785,354	16,621,574
Total net position	<u><u>\$ 33,000,873</u></u>	<u><u>\$ 32,374,188</u></u>

*Information for fiscal year 2024 has been updated to reflect restatements reported during fiscal year 2025. See Note 21 to the financial statements for more information.

In 2025, the net value of the Board's current assets increased \$3,021,344 or 12.5%, primarily resulting from increased governmental funding helping to cover operating costs.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2025 FINANCIAL HIGHLIGHTS (Continued)

The Board's cash and cash equivalents increased by \$3,556,867 or 16.4%, to \$25,278,641. This increase is attributed to increased state and federal support. The balances for 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
Board required cash reserves*	\$ 9,638,708	\$ 8,552,084
Unrestricted cash	7,686,045	8,720,735
Halfway House	1,944,596	1,944,596
State restricted deferred revenue	5,881,929	2,452,901
Other restricted deferred revenue	5,306	5,306
Restricted for representative payee beneficiaries	<u>122,057</u>	<u>46,152</u>
Total cash balance	<u>\$ 25,278,641</u>	<u>\$ 21,721,774</u>

*Board required 6 months of operating expenditures

The net value of the Board's restated capital assets decreased \$703,719 or 4.58% to \$14,663,741 at the end of FY25. The overall change in the net value was small, yet the activity for the fiscal year includes capital asset additions for building improvements of \$20,676 and vehicles of \$42,200. In addition, there were lease office equipment additions and subscription asset additions of \$5,373 and \$236,488, respectively. Capital assets additions are offset by the annual depreciation and amortization expense totaling \$1,008,456.

Deferred outflows of resources consist of contributions made to VRS during the fiscal year, subsequent to the measurement date for pensions, and other pension-related deferred outflows transactions. In addition, deferred outflows related to other postemployment benefits was added to this year's financial statements to reflect the contributions and other OPEB-related transactions required by GASB No. 75. Deferred outflows increased \$598,891 or 116.6% over 2024. This is due to the fluctuations in the financial market influencing the assumptions that are used to determine expected costs. Of the net increase, \$629,290 is attributable to pension and the remaining was a decrease of \$30,399 to OPEB.

Restated current liabilities increased \$2,564,146 or 43.6% over 2024. The Board's unearned revenue increased due to prior year state funding balances not being able to be spent.

Deferred inflows of resources decreased \$94,482. This amount is made up of a \$105,610 decrease related to pension and a \$11,128 increase related to other postemployment benefits. The majority of the net increase is due to net differences between projected and actual experience and earnings on plan investments.

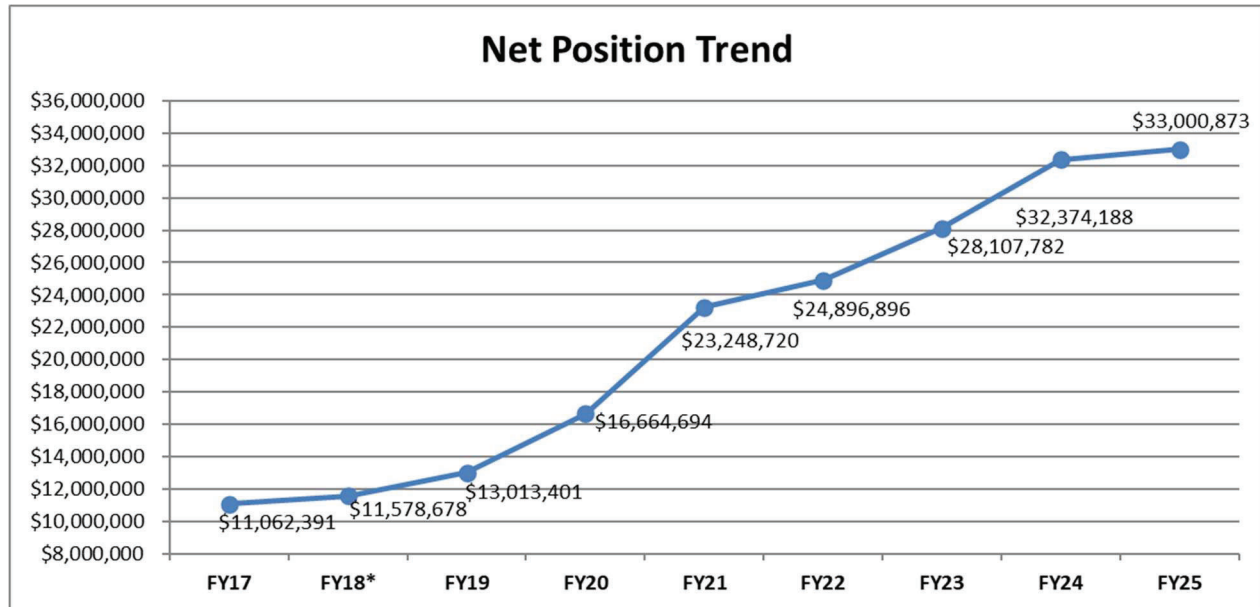
Restated long-term liabilities decreased \$224,198 or 6.1% over 2024. During fiscal year 2025, all long-term liabilities decreased. The majority of the overall decrease is attributed to the Board's due to other governments, which decreased \$214,999 over 2024 due to current year principal payments on the associated shared debt.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2025 FINANCIAL HIGHLIGHTS (Continued)

The Board's 2018 beginning net position (*) was restated to reflect the adoption of GASB No. 75, which impacted the ending net position. However, the prior years are not restated because the OPEB information is not readily available. A multi-year historical compilation of year-end total net position indicates the Board's overall financial condition has tracked a positive trend line.



Overall, the financial position of the Harrisonburg-Rockingham CSB remains strong, as evidenced by continuing strong liquidity.

Change in Net Position: The following is a summary of the Harrisonburg-Rockingham CSB's Statement of Revenues, Expenses, and Changes in Net Position including all programs and operations, for the years ended June 30, 2025 and 2024:

Statement of Revenues, Expenses, and Changes in Net Position		
	2025	2024*
Operating revenues	\$ 6,772,503	\$ 6,956,511
Operating expenses	19,277,417	17,104,169
Operating loss	\$ (12,504,914)	\$ (10,147,658)
Nonoperating revenue (expenses)	\$ 13,131,599	\$ 15,003,687
Change in net position	\$ 626,685	\$ 4,856,029

*Information for fiscal year 2024 has been updated to reflect the restatement for unearned state revenue reported during fiscal year 2025. The restatement for implementation of GASB Statement No. 101 reflects changes for prior years through June 30, 2024, and therefore the exact effect on expenses for the year ended June 30, 2024 is not reasonably determinable.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2025 FINANCIAL HIGHLIGHTS (Continued)

Operating revenues are defined as the amount of revenue received from providing client services. During 2025, operating revenues decreased \$184,008 or 2.6% in comparison with 2024. Most of the decrease is a result of current year bad debt write-offs and contractual adjustments. In addition, there was a slight decline in the total number of individuals served between 2024 and 2025.

Operating expenses are comprised of the direct expenses of operating the Board. These include salaries, employee benefits, facility operational costs, contractual and professional services provided by others, and depreciation and amortization. The Board's most significant operating expenses consist of salaries and benefits approximately 79% of operating expenses. During 2025, operating expenses increased \$2,173,248 or 12.7% from 2024. We saw an increase in expenditures due to maintenance of building, and an overall increase of expenses in supplies. Telehealth services for interpreter and contracted staff remain high due to continued lack of local service providers in the area.

Non-operating revenues are comprised of governmental funds, interest income, and other miscellaneous income. The majority of the governmental funds come from the Commonwealth of Virginia through the Virginia Department of Behavioral Health and Developmental Services. Governmental funding is also received from the federal government, the City of Harrisonburg, and Rockingham County. Some unrestricted and restricted Mental Health state funding is not required to be spent in the current fiscal year and is reported as unearned revenue liability. Non-operating expense is typically comprised of interest expense incurred on debt. As part of the agreement with the City and County for the funding of the new building, the Board is responsible for one-third of each of their required payments resulting in interest expense of \$134,131.

Cash Flows: The following is a summary of the Harrisonburg-Rockingham CSB's Statement of Cash Flows, including all programs and operations, for the years ended June 30, 2025 and 2024:

Statement of Cash Flows			
	2025	2024	
Operating activities	\$ (11,563,793)	\$ (8,380,124)	
Non-capital financing activities	15,354,793	13,442,634	
Capital and related financial activities	(645,598)	(1,014,103)	
Investing activities	411,465	371,033	
Net increase (decrease) in cash and cash equivalents	\$ 3,556,867	\$ 4,419,440	
Beginning at July 1	\$ 21,721,774	\$ 17,302,334	
Ending at June 30	\$ 25,278,641	\$ 21,721,774	

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2025 FINANCIAL HIGHLIGHTS (Continued)

Cash flows from operating activities include cash received for services less payments made to suppliers and employees. The operating loss recorded on the Statement of Revenues, Expenses and Changes in Fund Net Position is reconciled to net cash used in operating activities through adjustments for depreciation and amortization, pension expense net of employer contributions, other postemployment expense net of employer contributions, and changes in current assets and liabilities. Please see the Statement of Cash Flows for a full listing of those transactions. Cash flows from non-capital financing activities include cash received from state, federal, and local governments and other miscellaneous sources. Cash flows from capital and related financing activities are comprised of the acquisition, plus principal and interest payments associated with debt. Cash flows from investing activities are comprised of interest received.

Capital Assets: Harrisonburg-Rockingham CSB's investment in capital assets (net of accumulated depreciation and amortization) as of June 30, 2025 amounts to \$14,663,741, down \$703,719 or 4.6% from 2024. The Board had capital asset additions totaling \$304,737 and included building improvements, a new vehicle, additional leased copier, and additional subscription asset for new ERP software. However, depreciation and amortization for the year totaled \$1,008,456, creating the decrease in the Board's overall investment in capital assets. The following is a summary of the Board's capital assets net of depreciation and amortization. Further information on the Board's capital assets can be found in Note 5 to the financial statements.

	<u>2025</u>	<u>2024</u>
Land	\$ 888,799	\$ 888,799
Buildings and improvements	12,604,644	13,139,740
Equipment and vehicles	828,397	983,623
Software	2,956	13,872
Lease office equipment	17,645	37,522
Subscription assets	<u>321,300</u>	<u>303,904</u>
Net capital assets	<u>\$ 14,663,741</u>	<u>\$ 15,367,460</u>

Debt: Harrisonburg-Rockingham CSB currently has no long-term debt for which it is solely responsible. Details of the CSB's shared indebtedness is presented in Note 14 to the financial statements.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide local citizens, our clients and their families, and all taxpayers with a general overview of the Board's finances. Questions regarding this report or requests for additional financial information should be made to Chief Financial Officer, 1241 North Main Street, Harrisonburg, VA 22802; telephone (540) 434-1941.

BASIC FINANCIAL STATEMENTS

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Statement of Net Position
June 30, 2025**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 25,156,584
Operating accounts receivable, net	1,364,364
Miscellaneous accounts receivable	7,254
Due from other governments	536,655
Prepaid expenses	24,365
Restricted Current Assets:	
Cash restricted for representative payee beneficiaries	122,057
Total current assets	<u>\$ 27,211,279</u>

Noncurrent Assets:

Capital assets:

Capital assets, nondepreciable	\$ 888,799
Capital assets, depreciable, net	13,435,997
Intangible right-of-use assets, net	338,945
Net capital assets	<u>\$ 14,663,741</u>
Net pension asset	3,274,214
Net OPEB asset	4,156
Total noncurrent assets	<u>\$ 17,942,111</u>
Total assets	<u>\$ 45,153,390</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related items	\$ 918,457
OPEB related items	194,234
Total deferred outflows of resources	<u>\$ 1,112,691</u>

LIABILITIES

Current Liabilities:

Accounts payable and other current liabilities	\$ 196,245
Accrued payroll and related liabilities	1,231,347
Accrued interest	36,577
Amounts held for representative payee beneficiaries, payable from restricted assets	122,057
Unearned revenue	5,887,235
Due to other governments, current portion	215,000
Lease liabilities, current portion	6,813
SBITA liability, current portion	225,267
Compensated absences, current portion	527,528
Total current liabilities	<u>\$ 8,448,069</u>

Long-term Liabilities:

Due to other governments, net of current portion	\$ 2,166,667
Lease liabilities, net of current portion	8,496
SBITA liability, net of current portion	104,349
Compensated absences, net of current portion	465,836
Net OPEB liabilities	728,902
Total long-term liabilities	<u>\$ 3,474,250</u>
Total liabilities	<u>\$ 11,922,319</u>

DEFERRED INFLOWS OF RESOURCES

Pension related items	\$ 1,154,539
OPEB related items	188,350
Total deferred inflows of resources	<u>\$ 1,342,889</u>

NET POSITION

Net investment in capital assets	\$ 11,937,149
Restricted for employee pensions and other benefits	3,278,370
Unrestricted	17,785,354
Total net position	<u>\$ 33,000,873</u>

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

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

Operating revenues:	
Patient pay	\$ <u>6,772,503</u>
Operating expenses:	
Salaries and wages	\$ 12,794,600
Employee benefits	2,418,036
Facility, equipment, and vehicle	522,767
Contractual and professional services	1,357,339
Depreciation and amortization	1,008,456
Other expenses	<u>1,176,219</u>
Total operating expenses	\$ <u>19,277,417</u>
Net operating loss	\$ <u>(12,504,914)</u>
Nonoperating income (expenses):	
Intergovernmental revenues:	
Local sources:	
County of Rockingham, Virginia	\$ 1,249,273
City of Harrisonburg, Virginia	1,286,697
Commonwealth of Virginia	8,630,114
Federal government	829,275
Interest income	411,465
Interest expense	(134,131)
Miscellaneous income	<u>858,906</u>
Total nonoperating income (expense)	\$ <u>13,131,599</u>
Change in net position	\$ <u>626,685</u>
Net position, beginning of year, as previously reported	\$ 34,484,024
Restatement	<u>(2,109,836)</u>
Net position, beginning of year, as restated	\$ <u>32,374,188</u>
Net position, end of year	\$ <u><u>33,000,873</u></u>

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Statement of Cash Flows
Year Ended June 30, 2025

Cash flows from operating activities:	
Receipts from clients, private insurers, Medicaid, and others	\$ 6,603,560
Payments to suppliers	(2,848,883)
Payments to and for employees	(15,318,470)
Net cash provided by (used for) operating activities	\$ (11,563,793)
Cash flows from noncapital financing activities:	
Intergovernmental revenues	\$ 14,309,269
Miscellaneous income	1,045,524
Net cash provided by (used for) noncapital financing activities	\$ 15,354,793
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (62,876)
Payments on amounts due to local governments	(203,333)
Principal payments on leases and SBITAs	(249,517)
Interest payments	(129,872)
Net cash provided by (used for) capital and related financing activities	\$ (645,598)
Cash flows from investing activities:	
Interest income	\$ 411,465
Net increase (decrease) in cash and cash equivalents	\$ 3,556,867
Cash and cash equivalents, beginning of year	21,721,774
Cash and cash equivalents, end of year	\$ 25,278,641
Reconciliation to Statement of Net Position	
Cash and cash equivalents	\$ 25,156,584
Cash restricted for representative payee beneficiaries	122,057
Cash and cash equivalents, end of year	\$ 25,278,641
Reconciliation of operating loss to net	
cash provided by (used for) operating activities:	
Net operating loss	\$ (12,504,914)
Depreciation and amortization	1,008,456
Changes in assets, deferred outflows of resources, liabilities,	
and deferred inflows of resources:	
(Increase) decrease in:	
Operating accounts receivable, net	(168,943)
Prepaid expenses	118,059
Net pension asset	48,521
Net OPEB asset	(4,156)
Deferred outflows of resources	(598,891)
Increase (decrease) in:	
Accounts payable and other current liabilities	13,478
Accrued payroll and related liabilities	488,379
Compensated absences	106,455
Amounts held for representative payee beneficiaries,	
payable from restricted assets	75,905
Net OPEB liabilities	(51,660)
Deferred inflows of resources	(94,482)
Total cash provided by (used for) operating activities	\$ (11,563,793)

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial reporting entity

Harrisonburg-Rockingham Community Services Board (the “Board”) is a jointly governed entity that operates as an agent for the City of Harrisonburg and the County of Rockingham in the establishment and operation of community behavioral health, developmental services, 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, the Board provides a system of community behavioral health, developmental services, and substance abuse services which 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.

The Board is not considered a component unit of the County of Rockingham, Virginia or the City of Harrisonburg, Virginia since neither of these entities has oversight responsibilities for the Board, nor is either entity legally obligated to fund any deficit of the Board.

B. Blended component unit

The Rockingham-Harrisonburg Halfway House, Inc. (the “Halfway House”) is an affiliated organization whose primary purpose is to hold title to certain real property which is rented primarily to the Harrisonburg-Rockingham Community Services Board.

Although legally a separate entity, the Halfway House is, in substance, part of the Board’s operations. Financial information from this unit is combined with the financial statements of the Board as a blended component unit. The Board and this entity are collectively referred to herein as the “Board.”

C. Measurement focus and basis of accounting

The Board is a governmental health care entity and follows the accounting and reporting practices of the Governmental Accounting Standards Board (GASB). The Board’s financial statements consist of a single enterprise fund 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.

D. Use of estimates

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Use of estimates (continued)

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 are delays in collection 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.

E. Cash and cash equivalents

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

F. Valuation of receivables

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

G. Net client service revenue

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

H. Financial assistance

The Board is required to collect the cost of services from third-party sources and those individuals who are able to pay. However, 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 of charges to individual clients. Because the Board does not pursue the collection of amounts determined to qualify for financial assistance, such amounts are not reported as revenue.

I. Capital assets

Capital assets include property and equipment with an initial, individual cost of more than \$5,000 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 acquisition 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	20-40 years
Building and land improvements	5-25 years
Equipment and vehicles	5-20 years
Software	3-5 years
Subscription and lease assets	3-5 years

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

J. Restricted assets

The Board segregates funds held on behalf of the representative payee beneficiaries.

K. Income taxes

The Rockingham-Harrisonburg Halfway House, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the *Internal Revenue Code*. Harrisonburg-Rockingham Community Services Board is exempt from such taxes as a governmental entity. Accordingly, the accompanying financial statements do not reflect a provision for income taxes.

L. Compensated absences

The Board recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or utilized for early retirement) during or upon separation from employment. The liability for compensated absences is reported as incurred in the statement of net position and includes salary-related benefits, where applicable. Based on the criteria listed, leave qualifying for liability recognition for compensated absences includes:

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

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

M. Pensions

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Other postemployment benefits (OPEB) – Group Life Insurance and Health Insurance Credit

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and HIC OPEB and the additions to/deductions from the VRS VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by Virginia Retirement System (VRS). In addition, 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.

O. Deferred outflows/inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Board has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred outflows of resources represent an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board has one type of item that qualifies under this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

P. Leases and Subscription-Based IT Arrangements

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

Lessee

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

P. Leases and Subscription-Based IT Arrangements (continued)

Subscriptions

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

Key Estimates and Judgments

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

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

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

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.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

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

Credit risk

At June 30, 2025, the Board’s investments were all in the LGIP, which has been assigned a credit rating of AAAm by Standard & Poor’s (S&P). At June 30, 2025, the Board’s investment in the LGIP totaled \$3,124,183.

External Investment Pool

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

Interest Rate Risk

All Board investments must be in securities maturing within five years. Maturities of the Board’s investments are all less than one year.

NOTE 3—OPERATING ACCOUNTS RECEIVABLE:

A summary of accounts receivable as of June 30, 2025 is as follows:

Medicare, Medicaid, & third-party insurers	\$	1,519,945
Direct client		1,424,690
Other		83,060
Total	\$	3,027,695
Allowance for uncollectible accounts		(1,663,331)
Total	\$	<u>1,364,364</u>

NOTE 4—DUE FROM OTHER GOVERNMENTS:

Local Government:		
Rockingham County, Virginia	\$	10,757
Federal Government:		
Opioid STR		74,325
Substance Abuse Block Grant		449,137
Child and Adult Care Food Program		2,436
Total	\$	<u>536,655</u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 5—CAPITAL ASSETS:

A summary of capital assets at June 30, 2025 is as follows:

	Balance July 1, 2024 as restated	Increases	Decreases	Balance June 30, 2025
Capital assets, nondepreciable				
Land	\$ 888,799	\$ -	\$ -	\$ 888,799
Capital assets, nondepreciable	\$ 888,799	\$ -	\$ -	\$ 888,799
Capital assets, depreciable				
Land improvements	\$ 3,134,730	\$ -	\$ -	\$ 3,134,730
Buildings	12,567,216	-	-	12,567,216
Building improvements	1,357,274	20,676	-	1,377,950
Equipment	1,205,303	-	-	1,205,303
Vehicles	653,558	42,200	(20,857)	674,901
Software	332,652	-	-	332,652
Capital assets, depreciable	\$ 19,250,733	\$ 62,876	\$ (20,857)	\$ 19,292,752
Accumulated depreciation:				
Land improvements	\$ (702,776)	\$ (203,154)	\$ -	\$ (905,930)
Buildings	(2,147,663)	(317,968)	-	(2,465,631)
Building improvements	(1,069,041)	(34,650)	-	(1,103,691)
Equipment	(470,387)	(126,741)	-	(597,128)
Vehicles	(404,851)	(70,685)	20,857	(454,679)
Software	(318,780)	(10,916)	-	(329,696)
Less accumulated depreciation	\$ (5,113,498)	\$ (764,114)	\$ 20,857	\$ (5,856,755)
Capital assets, depreciable, net	\$ 14,137,235	\$ (701,238)	\$ -	\$ 13,435,997
Intangible right-of-use assets:				
Lease assets:				
Lease office equipment	\$ 143,939	\$ 5,373	\$ -	\$ 149,312
Accumulated amortization:				
Lease office equipment	\$ (106,417)	\$ (25,250)	\$ -	\$ (131,667)
Net lease assets	\$ 37,522	\$ (19,877)	\$ -	\$ 17,645
Subscription assets:				
Subscriptions	\$ 584,428	\$ 236,488	\$ -	\$ 820,916
Accumulated amortization:				
Subscriptions	\$ (280,524)	\$ (219,092)	\$ -	\$ (499,616)
Net subscription assets	\$ 303,904	\$ 17,396	\$ -	\$ 321,300
Intangible right-of-use assets, net	\$ 341,426	\$ (2,481)	\$ -	\$ 338,945
Capital assets, net	\$ 15,367,460	\$ (703,719)	\$ -	\$ 14,663,741

Depreciation and amortization expense for the year ended June 30, 2025 totaled \$1,008,456.

NOTE 6—UNEARNED REVENUES:

Unearned revenues as of June 30, 2025 consist of the following:

Unspent state funds	\$ 5,881,929
Unspent other funds	5,306
Total	\$ 5,887,235

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS:

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

	Balance July 1, 2024	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2025
Due to other governments (Note 14)	\$ 2,585,000	\$ -	\$ (203,333)	\$ 2,381,667
Lease liabilities (Note 8)	36,362	5,373	(26,426)	15,309
SBITA liabilities (Note 8)	316,219	236,488	(223,091)	329,616
Compensated absences *	886,909	1,312,803	(1,206,348)	993,364
Net OPEB liabilities (Notes 10-13) **	761,939	226,555	(259,592)	728,902
Total long-term obligations	\$ 4,586,429	\$ 1,781,219	\$ (1,918,790)	\$ 4,448,858

* The balance for compensated absences liability as of July 1, 2024 has been restated for implementation of GASB Statement No. 101, *Compensated Absences*.

** The balance for Net OPEB liabilities as of July 1, 2024 has been adjusted to exclude the VRS Health Insurance Credit Plan, which is reported as a Net OPEB asset as of June 30, 2025.

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

Fiscal Year	Due to Other Governments		Lease Liabilities		SBITA Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 215,000	\$ 110,284	\$ 6,813	\$ 482	\$ 225,267	\$ 10,324
2027	226,666	98,967	4,077	264	104,349	3,777
2028	238,333	84,051	2,760	120	-	-
2029	250,000	74,537	1,659	21	-	-
2030	263,334	61,383	-	-	-	-
2031-2034	1,188,334	111,117	-	-	-	-
Total	\$ 2,381,667	\$ 540,339	\$ 15,309	\$ 887	\$ 329,616	\$ 14,101

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HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 8—LEASE AND SBITA LIABILITIES:

Intangible Right-to-Use Lease Liabilities

Office Equipment Leases

- The Board leases a variety of copier/printers from Hewlett-Packard and SVOE for terms varying from 36 to 60 months. The leases require minimum monthly lease payments varying from \$88 to \$896, plus additional charges for excess usage and excluding applicable taxes. The Board will continue to make the payments until the agreements expire in May 2026. For purposes of discounting future payments, the Board used the interest rates varying from .47% to 7.16% on the Hewlett-Packard financing agreements and 3.80% on the SVOE financing agreement to determine appropriate discount rates.
- The Board leases a postage machine from Pitney Bowes for a 48-month term with minimum monthly lease payment of \$365 at a 4.58% implicit rate. This agreement expires in June 2027.

Additionally, the Board leases several facilities from the Halfway House. All lease agreements expire annually on June 30th. Rental expense for 2025 totaled \$160,000, all of which are intercompany amounts and eliminated in the accompanying financial statements.

Intangible Right-to-Use SBITA Liability

The Board utilizes the Credible EHR Platform for its electronic health record system. The current seven-year contract expired in August 2023, and was renewed by the Board for an additional three years starting September 1, 2023. Total monthly charges increase by 3.5% annually and include implicit interest at 2.90%.

Additionally, the Board utilizes the Tyler Technologies Munis software for its accounting and payroll systems. The current contract is for three years, expiring June 2027. Annual charges total \$82,459 and include implicit interest at 4.58%.

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HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 9—PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	111
Inactive members:	
Vested inactive members	60
Non-vested inactive members	87
Inactive members active elsewhere in VRS	<u>65</u>
Total inactive members	212
Active members	<u>174</u>
Total covered employees	<u><u>497</u></u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

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

NOTE 9—PENSION PLAN: (CONTINUED)

Contributions

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

The Board’s contractually required employer contribution rate for the year ended June 30, 2025 was 2.31% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$264,505 and \$281,496 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$74,864 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$86,457 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$7,486,372 for the year ended June 30, 2025.

Net Pension Asset

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

Actuarial Assumptions – General Employees

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

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2023	\$ 25,114,109	\$ 28,436,844	\$ (3,322,735)
Changes for the year:			
Service cost	\$ 706,685	\$ -	\$ 706,685
Interest	1,700,959	-	1,700,959
Differences between expected and actual experience	1,084,184	-	1,084,184
Contributions - employer	-	280,414	(280,414)
Contributions - employee	-	430,748	(430,748)
Net investment income	-	2,749,870	(2,749,870)
Benefit payments, including refunds	(1,242,790)	(1,242,790)	-
Administrative expenses	-	(18,289)	18,289
Other changes	-	564	(564)
Net changes	\$ 2,249,038	\$ 2,200,517	\$ 48,521
Balances at June 30, 2024	\$ 27,363,147	\$ 30,637,361	\$ (3,274,214)

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

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

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

	Rate		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Harrisonburg-Rockingham Community Services Board's Net Pension Liability (Asset)	\$ 232,940	\$ (3,274,214)	\$ (6,105,026)

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

For the year ended June 30, 2025, the Board recognized pension expense of (\$422,956). At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 653,952	\$ 354,715
Net difference between projected and actual earnings on pension plan investments	-	799,824
Employer contributions subsequent to the measurement date	<u>264,505</u>	<u>-</u>
Total	<u>\$ 918,457</u>	<u>\$ 1,154,539</u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2025 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

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

\$264,505 reported as deferred outflows of resources related to pensions resulting from the Board’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting years as follows:

Year Ending June 30	
2026	\$ (619,494)
2027	444,702
2028	(156,011)
2029	(169,784)

Pension Plan Data

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

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

In addition to the Basic 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 GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

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

Eligible Employees

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

Benefit Amounts

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% ($1.18\% \times 60\%$) and the employer component was 0.47% ($1.18\% \times 40\%$). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025, was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$53,817 and \$53,052 for the years ended June 30, 2025 and June 30, 2024, respectively.

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

At June 30, 2025, the entity reported a liability of \$426,952 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024, and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was 0.03826% as compared to 0.03839% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of \$22,145. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 67,340	\$ 10,429
Net difference between projected and actual earnings on GLI OPEB plan investments	-	35,988
Change in assumptions	2,434	21,159
Changes in proportionate share	20,255	1,631
Employer contributions subsequent to the measurement date	<u>53,817</u>	<u>-</u>
Total	<u>\$ 143,846</u>	<u>\$ 69,207</u>

\$53,817 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ending June 30</u>	
2026	\$ (9,108)
2027	15,113
2028	3,810
2029	4,609
2030	6,398

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

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

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

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

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

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

- Pre-Retirement:
 - Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement:
 - Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement:
 - Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors:
 - Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale:
 - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

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

NET GLI OPEB Liability

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

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

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2025 (Continued)

NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate

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

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Harrisonburg-Rockingham Community Services Board's proportionate share of the GLI Plan Net OPEB Liability		\$ 663,965	\$ 426,952	\$ 235,476

Group Life Insurance Plan Fiduciary Net Position

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 11—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB Plan):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2025 (Continued)

NOTE 11—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB Plan): (CONTINUED)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	63
Inactive members:	
Vested inactive members	9
Inactive members active elsewhere in VRS	56
Total inactive members	<u>128</u>
Active members	<u>177</u>
Total covered employees	<u>305</u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Board’s contractually required employer contribution rate for the year ended June 30, 2025 was 0.08% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Board to the HIC Plan were \$9,160 and \$13,749 for the years ended June 30, 2025 and June 30, 2024, respectively.

Net HIC OPEB Asset

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

Actuarial Assumptions

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

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 11—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB Plan): (CONTINUED)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 11—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB Plan): (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

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

Discount Rate

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 11—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB Plan): (CONTINUED)

Changes in Net HIC OPEB Liability (Asset)

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 276,897	\$ 258,274	\$ 18,623
Changes for the year:			
Service cost	\$ 5,770	\$ -	\$ 5,770
Interest	18,494	-	18,494
Differences between expected and actual experience	(9,439)	-	(9,439)
Contributions - employer	-	13,749	(13,749)
Net investment income	-	24,185	(24,185)
Benefit payments	(17,354)	(17,354)	-
Administrative expenses	-	(331)	331
Other changes	-	1	(1)
Net changes	\$ (2,529)	\$ 20,250	\$ (22,779)
Balances at June 30, 2024	\$ 274,368	\$ 278,524	\$ (4,156)

Sensitivity of the Board's HIC NET OPEB Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Board's Net HIC OPEB Liability (Asset)	\$ 25,662	\$ (4,156)	\$ (29,294)

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 11—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB Plan): (CONTINUED)

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

For the year ended June 30, 2025, the Board recognized HIC Plan OPEB expense of \$3,613. At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to the Board's HIC Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,866	\$ 15,632
Net difference between projected and actual earnings on HIC OPEB plan investments	-	5,514
Change in assumptions	1,803	15,068
Employer contributions subsequent to the measurement date	9,160	-
Total	<u>\$ 28,829</u>	<u>\$ 36,214</u>

\$9,160 reported as deferred outflows of resources related to the HIC OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB asset in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting period as follows:

<u>Year Ending June 30,</u>	
2026	\$ (5,877)
2027	333
2028	(9,349)
2029	(1,652)

HIC Plan Data

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2025 (Continued)

NOTE 12—LOCAL PLAN (OPEB PLAN)

Plan Description

Employees who retire from employment from the Board and are not yet eligible for Medicare may elect to continue participation in the Board’s group health insurance plan. Health benefits include medical coverage only. Optional dental and vision coverage may be purchased separately. Coverage is for the retiree only. Dependents and spouses of retirees may continue medical coverage through COBRA only. Retirees contribute 100% of the premium cost for retiree coverage.

Participants must meet eligibility requirements based on service earned with the Board and prior service earned through other Virginia agencies to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are eligible for the health benefit through COBRA only.

Participants must retire from the Board with at least 5 years of continuous service with the Board and have participated in the group health insurance plan for the last 5 years of employment. Active employees must meet the VRS minimum retirement requirements to be eligible for a medical benefit upon retirement.

Funding Policy

The annual contribution requirements of plan members and the Board are determined annually by the Board. The Board has chosen to fund healthcare benefits on a pay-as-you-go basis.

Benefits Provided

Retiree health benefits include medical coverage only. Optional dental and optional vision coverage may be purchased separately. Retirees under the age of 65 are eligible to choose the Anthem BCBS (PPO) medical option, and coverage ends upon the earlier of the retiree’s age 65 or the retiree’s death. If the retiree dies prior to age 65, their dependents may continue medical coverage through COBRA.

Employees Covered by Benefit Terms

As of the January 1, 2024 actuarial valuation, the following employees were covered by the benefit terms of the plan:

Total active employees with coverage	183
Total retirees with coverage	<u>3</u>
Total	<u><u>186</u></u>

Total OPEB Liability

The Board’s total OPEB liability of \$301,950 was measured as of June 30, 2025 and was determined based on an actuarial valuation performed as of January 1, 2024.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 12—LOCAL PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Discount rate	5.20%
General employees - Salary increases, including inflation	5.35-3.50%
Healthcare cost trend rates	6.90-3.90%

Mortality rates: Pre-Retirement Mortality Rates: Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. 25% of deaths are assumed to be service-related.

Post-Retirement Mortality Rates: Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Post-Disablement Mortality Rates: Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2025 valuation report were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020.

Changes in the Total OPEB Liability

Balances at June 30, 2024	\$	301,523
Changes for the year:		
Service cost		36,954
Interest		12,928
Changes in assumptions		(30,219)
Benefit payments		<u>(19,236)</u>
Net changes		<u>427</u>
Balances at June 30, 2025	\$	<u><u>301,950</u></u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 12—LOCAL PLAN (OPEB PLAN): (CONTINUED)

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

The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current discount rate:

	Rates		
	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
Board's Total OPEB Liability	\$ 325,524	\$ 301,950	\$ 280,051

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Rates		
	1% Decrease	Healthcare Cost Trend	1% Increase
Board's Total OPEB Liability	\$ 264,669	\$ 301,950	\$ 345,686

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

For the year ended June 30, 2025, the Board recognized OPEB expense of \$42,165. At June 30, 2025, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,829	\$ 26,493
Changes in assumptions	9,730	56,436
Total	<u>\$ 21,559</u>	<u>\$ 82,929</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2026	\$ (10,718)
2027	(22,739)
2028	(17,445)
2029	(9,514)
2030	(954)

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 13—SUMMARY OF POSTEMPLOYMENT BENEFIT (OPEB) PLANS:

The following is a summary of the Board's OPEB plans as of June 30, 2025:

		Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	Net OPEB Asset	OPEB Expense (Income)
VRS OPEB Plans:						
Group Life Insurance (Note 10)	\$	143,846	\$ 69,207	\$ 426,952	\$ -	\$ 22,145
Health Insurance Credit (Note 11)		28,829	36,214	-	4,156	3,613
Board Local Plan (Note 12)		21,559	82,929	301,950	-	42,165
Totals	\$	<u>194,234</u>	\$ <u>188,350</u>	\$ <u>728,902</u>	\$ <u>4,156</u>	\$ <u>67,923</u>

NOTE 14— SHARED INDEBTEDNESS:

In August 2019, the Board entered into an agreement with the City of Harrisonburg and the County of Rockingham for the construction of a new facility. The City and County each issued revenue bonds through the Virginia Resources Authority in the amounts of \$4,950,000 and \$4,965,000, respectively with an interest rate of 2.30% that matures at October 1, 2033. The agreement stipulates that the City, County and CSB are each responsible for 1/3 of the debt issuance. The CSB's portion of each locality's debt is \$1,650,000 and \$1,655,000, respectively. The CSB's portion is withheld from the quarterly support payments from both the City and County and is reported as due to other governments on the financial statements. At June 30, 2025, the amounts due to the City and County were \$1,188,333 and \$1,193,334, respectively.

The following are annual requirements for amounts due to the City and County:

Fiscal Year	Due to City		Due to County		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 106,667	\$ 55,035	\$ 108,333	\$ 55,249	\$ 215,000	\$ 110,284
2027	113,333	49,398	113,333	49,569	226,666	98,967
2028	118,333	43,461	120,000	40,590	238,333	84,051
2029	125,000	37,226	125,000	37,311	250,000	74,537
2030	131,667	30,649	131,667	30,734	263,334	61,383
2031-2034	593,333	55,425	595,001	55,692	1,188,334	111,117
	\$ <u>1,188,333</u>	\$ <u>271,194</u>	\$ <u>1,193,334</u>	\$ <u>269,145</u>	\$ <u>2,381,667</u>	\$ <u>540,339</u>

NOTE 15—NET CLIENT SERVICE REVENUE:

Medicare & Medicaid	\$ 6,064,100
Direct client fees	173,781
Third-party	200,223
Other	<u>334,399</u>
Total	\$ <u>6,772,503</u>

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 16—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.

NOTE 17—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 and the Virginia Liability Risk Management Plan for various liability coverages.

The Board may be involved in potential lawsuits arising in the ordinary course of business. It is management's belief that any liability resulting from such lawsuits would not be material to the Board's financial position.

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 18—DONATED INVENTORY:

The pharmaceutical suppliers for the Board donated pharmaceutical supplies to be used in the Mental Health Program. At year end, the Board held approximately \$178,581 in prescription medication inventory. This value was determined using the average retail cost method. Since the Board merely acts as agent for the pharmaceutical companies by passing the medication through to its intended beneficiaries, the donation, distribution, and resulting inventories of the pharmaceutical supplies are not reflected in these financial statements.

NOTE 19—DEFERRED COMPENSATION PLAN:

The Board maintains for its employees two deferred compensation plans, each created in accordance with *Internal Revenue Code* Section 457. The plans permit employees to defer a portion of their salary until future years. The deferred compensation plan benefits are not available to employees until termination, retirement, death, or unforeseeable emergency. The respective plans are with the International City Managers Association (ICMA) Retirement Corporation and the Commonwealth of Virginia Deferred Compensation Plan.

NOTE 20—ADOPTION OF ACCOUNTING PRINCIPLE:

During 2025, the Board implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the Board now recognizes an estimated amount of leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. As described in Note 21, beginning net position was restated as a result of the Board adopting GASB Statement No. 101.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2025 (Continued)

NOTE 21—RESTATEMENT OF BEGINNING BALANCES:

Net position as previously reported for the year ended June 30, 2024 was restated as a result of implementing GASB Statement No. 101 *Compensated Absences* (see Note 20), to correct the balance of unearned state revenue for state funding received in fiscal year 2024 that was unspent as of June 30, 2024, and to correct the classification of software expenses previously capitalized as construction in progress. The details of the restatement are as follows:

Net position at June 30, 2024, as previously reported	\$ 34,484,024
Implementation of GASB Statement No. 101	(337,583)
Correction of unearned state revenue	(1,520,213)
Reclassification of construction in progress costs	<u>(252,040)</u>
Net position at June 30, 2024, as restated	<u>\$ 32,374,188</u>

NOTE 22—LITIGATION:

At June 30, 2025, there were no matters of litigation involving the Board that would materially affect the Board’s financial position should any court decisions on pending matters not be favorable to the Board.

NOTE 23—UPCOMING PRONOUNCEMENTS:

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

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

	2024	2023	2022	2021
Total pension liability				
Service cost	\$ 706,685	\$ 697,306	\$ 609,406	\$ 573,767
Interest	1,700,959	1,709,122	1,629,795	1,471,570
Changes in assumptions	-	-	-	761,256
Differences between expected and actual experience	1,084,184	(1,300,625)	25,937	44,573
Benefit payments, including refunds of employee contributions	(1,242,790)	(1,229,424)	(1,126,229)	(1,106,771)
Net change in total pension liability	\$ 2,249,038	\$ (123,621)	\$ 1,138,909	\$ 1,744,395
Total pension liability - beginning	25,114,109	25,237,730	24,098,821	22,354,426
Total pension liability - ending (a)	<u>\$ 27,363,147</u>	<u>\$ 25,114,109</u>	<u>\$ 25,237,730</u>	<u>\$ 24,098,821</u>
Plan fiduciary net position				
Contributions - employer	\$ 280,414	\$ 266,938	\$ 221,038	\$ 210,410
Contributions - employee	430,748	413,576	369,944	343,037
Net investment income	2,749,870	1,751,478	(25,171)	6,067,935
Benefit payments, including refunds of employee contributions	(1,242,790)	(1,229,424)	(1,126,229)	(1,106,771)
Administrative expense	(18,289)	(17,519)	(17,340)	(15,222)
Other	564	704	640	571
Net change in plan fiduciary net position	\$ 2,200,517	\$ 1,185,753	\$ (577,118)	\$ 5,499,960
Plan fiduciary net position - beginning	28,436,844	27,251,091	27,828,209	22,328,249
Plan fiduciary net position - ending (b)	<u>\$ 30,637,361</u>	<u>\$ 28,436,844</u>	<u>\$ 27,251,091</u>	<u>\$ 27,828,209</u>
Net pension liability (asset) - ending (a) - (b)	\$ (3,274,214)	\$ (3,322,735)	\$ (2,013,361)	\$ (3,729,388)
Plan fiduciary net position as a percentage of the total pension liability	111.97%	113.23%	107.98%	115.48%
Covered payroll	\$ 9,821,023	\$ 9,043,638	\$ 8,334,814	\$ 7,680,965
Net pension liability (asset) as a percentage of covered payroll	-33.34%	-36.74%	-24.16%	-48.55%

Exhibit 4

2020	2019	2018	2017	2016	2015
\$ 599,826	\$ 587,113	\$ 545,464	\$ 555,155	\$ 557,286	\$ 572,318
1,408,538	1,329,228	1,274,178	1,204,256	1,133,937	1,061,809
-	632,598	-	(9,194)	-	-
(14,963)	241,503	(244,583)	(28,849)	(53,250)	(87,811)
(1,012,395)	(811,996)	(765,248)	(679,711)	(587,144)	(444,682)
\$ 981,006	\$ 1,978,446	\$ 809,811	\$ 1,041,657	\$ 1,050,829	\$ 1,101,634
21,373,420	19,394,974	18,585,163	17,543,506	16,492,677	15,391,043
\$ 22,354,426	\$ 21,373,420	\$ 19,394,974	\$ 18,585,163	\$ 17,543,506	\$ 16,492,677
\$ 323,520	\$ 319,112	\$ 313,921	\$ 296,164	\$ 339,426	\$ 494,311
326,587	311,555	306,051	290,527	277,460	274,749
424,120	1,409,101	1,460,844	2,162,891	308,077	764,229
(1,012,395)	(811,996)	(765,248)	(679,711)	(587,144)	(444,682)
(14,490)	(13,753)	(12,504)	(12,339)	(10,670)	(9,989)
(503)	(889)	(1,308)	(1,932)	(130)	(161)
\$ 46,839	\$ 1,213,130	\$ 1,301,756	\$ 2,055,600	\$ 327,019	\$ 1,078,457
22,281,410	21,068,280	19,766,524	17,710,924	17,383,905	16,305,448
\$ 22,328,249	\$ 22,281,410	\$ 21,068,280	\$ 19,766,524	\$ 17,710,924	\$ 17,383,905
\$ 26,177	\$ (907,990)	\$ (1,673,306)	\$ (1,181,361)	\$ (167,418)	\$ (891,228)
99.88%	104.25%	108.63%	106.36%	100.95%	105.40%
\$ 7,239,718	\$ 6,820,554	\$ 6,502,713	\$ 6,006,285	\$ 5,549,286	\$ 5,323,806
0.36%	-13.31%	-25.73%	-19.67%	-3.02%	-16.74%

Schedule of Employer Contributions

Pension Plan

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

Date	Contributions in Relation to					Contributions as a % of	
	Contractually Required Contribution (1)*	Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		Covered Payroll (5)	
2025	\$ 264,505	\$ 264,505	\$ -	\$ 11,450,416		2.31%	
2024	281,496	281,496	-	9,821,023		2.87%	
2023	267,863	267,863	-	9,043,638		2.96%	
2022	221,712	221,712	-	8,334,814		2.66%	
2021	210,410	210,410	-	7,680,965		2.74%	
2020	323,520	323,520	-	7,239,718		4.47%	
2019	319,112	319,112	-	6,820,554		4.68%	
2018	313,921	313,921	-	6,502,713		4.83%	
2017	296,164	296,164	-	6,006,285		4.93%	
2016	339,426	339,426	-	5,549,286		6.12%	

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

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

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

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

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

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

Schedule of Harrisonburg-Rockingham Community Service Board's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 Measurement Dates of June 30, 2017 through June 30, 2024

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2024	0.03826% \$	426,952 \$	9,824,427	4.35%	73.41%
2023	0.03839%	460,416	9,043,638	5.09%	69.30%
2022	0.03832%	461,410	8,334,814	5.54%	67.21%
2021	0.03710%	432,294	7,680,965	5.63%	67.45%
2020	0.03560%	593,438	7,239,718	8.20%	52.64%
2019	0.03440%	560,430	6,820,554	8.22%	52.00%
2018	0.03000%	520,000	6,502,713	8.00%	51.22%
2017	0.03000%	490,000	6,006,285	8.16%	48.86%

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD
Exhibit 8

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

Years Ended June 30, 2018 through June 30, 2025

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2025	\$ 53,817	\$ 53,817	\$ -	\$ 11,450,416	0.47%
2024	53,052	53,052	-	9,824,427	0.54%
2023	48,836	48,836	-	9,043,638	0.54%
2022	45,008	45,008	-	8,334,814	0.54%
2021	41,393	41,393	-	7,680,965	0.54%
2020	38,057	38,057	-	7,239,718	0.53%
2019	35,102	35,102	-	6,820,554	0.51%
2018	33,814	33,814	-	6,502,713	0.52%

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

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

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

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

Non-Largest Ten Locality Employers - General Employees

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

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Schedule of Changes in Harrisonburg-Rockingham Community Service Board's Net OPEB Liability (Asset) and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2024

	2024	2023	2022
Total HIC OPEB Liability			
Service cost	\$ 5,770	\$ 5,111	\$ 7,861
Interest	18,494	17,228	19,973
Differences between expected and actual experience	(9,439)	12,745	(16,387)
Changes of assumptions	-	-	(31,157)
Benefit payments	(17,354)	(16,626)	(19,781)
Net change in total HIC OPEB liability	\$ (2,529)	\$ 18,458	\$ (39,491)
Total HIC OPEB Liability - beginning	276,897	258,439	297,930
Total HIC OPEB Liability - ending (a)	\$ 274,368	\$ 276,897	\$ 258,439
Plan fiduciary net position			
Contributions - employer	\$ 13,749	\$ 12,661	\$ 10,835
Net investment income	24,185	14,447	500
Benefit payments	(17,354)	(16,626)	(19,781)
Administrator charges	(331)	(339)	(423)
Other	1	529	9,895
Net change in plan fiduciary net position	\$ 20,250	\$ 10,672	\$ 1,026
Plan fiduciary net position - beginning	258,274	247,602	246,576
Plan fiduciary net position - ending (b)	\$ 278,524	\$ 258,274	\$ 247,602
Board's net HIC OPEB liability (asset) - ending (a) - (b)	\$ (4,156)	\$ 18,623	\$ 10,837
Plan fiduciary net position as a percentage of the total HIC OPEB liability	101.51%	93.27%	95.81%
Covered payroll	\$ 9,821,023	\$ 9,043,638	\$ 8,334,814
Board's net HIC OPEB liability (asset) as a percentage of covered payroll	-0.04%	0.21%	0.13%

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

	2021	2020	2019	2018	2017
\$	6,273	\$ 6,756	\$ 7,526	\$ 6,202	\$ 6,882
	16,589	16,435	15,892	15,502	14,957
	34,769	(2,472)	2,540	(2,791)	-
	4,016	-	5,691	-	(4,446)
	(18,958)	(17,915)	(12,487)	(14,182)	(5,025)
\$	42,689	\$ 2,804	\$ 19,162	\$ 4,731	\$ 12,368
	255,241	252,437	233,275	228,544	216,176
\$	<u>297,930</u>	<u>255,241</u>	<u>252,437</u>	<u>233,275</u>	<u>228,544</u>
\$	9,951	\$ 11,543	\$ 10,800	\$ 13,005	\$ 12,013
	52,218	4,092	12,552	13,128	18,819
	(18,958)	(17,915)	(12,487)	(14,182)	(5,025)
	(597)	(389)	(275)	(310)	(315)
	-	(2)	(15)	(924)	924
\$	42,614	\$ (2,671)	\$ 10,575	\$ 10,717	\$ 26,416
	203,962	206,633	196,058	185,341	158,925
\$	<u>246,576</u>	<u>203,962</u>	<u>206,633</u>	<u>196,058</u>	<u>185,341</u>
\$	51,354	\$ 51,279	\$ 45,804	\$ 37,217	\$ 43,203
	82.76%	79.91%	81.86%	84.05%	81.10%
\$	7,680,965	\$ 7,239,718	\$ 6,820,554	\$ 6,502,713	\$ 6,006,285
	0.67%	0.71%	0.67%	0.57%	0.72%

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	\$ 9,160	\$ 9,160	\$ -	\$ 11,450,416	0.08%
2024	13,749	13,749	-	9,821,023	0.14%
2023	12,661	12,661	-	9,043,638	0.14%
2022	10,835	10,835	-	8,334,814	0.13%
2021	9,951	9,951	-	7,680,965	0.13%
2020	11,543	11,543	-	7,239,718	0.16%
2019	10,800	10,800	-	6,820,554	0.16%
2018	13,005	13,005	-	6,502,713	0.20%

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

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

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

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

Non-Largest Ten Locality Employers - General Employees

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

Schedule of Changes in Total OPEB Liability and Related Ratios

Local Plan

Measurement Dates of June 30, 2018 through June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 36,954	\$ 41,437	\$ 28,918	\$ 34,093	\$ 33,891	\$ 24,007	\$ 19,756	\$ 20,140
Interest	12,928	11,774	10,195	8,107	7,967	8,440	8,475	7,447
Difference between expected and actual experience	-	-	-	(67,253)	-	46,481	-	-
Effect of economic/demographic gains or losses	-	9,460	-	-	-	-	-	-
Changes in assumptions	(30,219)	(31,354)	6,849	(28,100)	1,191	54,276	5,876	(5,373)
Benefit payments	(19,236)	(21,677)	(26,066)	(32,016)	(24,845)	(22,625)	(9,967)	(21,077)
Net change in total OPEB liability	\$ 427	\$ 9,640	\$ 19,896	\$ (85,169)	\$ 18,204	\$ 110,579	\$ 24,140	\$ 1,137
Total OPEB liability - beginning	301,523	291,883	271,987	357,156	338,952	228,373	204,233	203,096
Total OPEB liability - ending	<u>\$ 301,950</u>	<u>\$ 301,523</u>	<u>\$ 291,883</u>	<u>\$ 271,987</u>	<u>\$ 357,156</u>	<u>\$ 338,952</u>	<u>\$ 228,373</u>	<u>\$ 204,233</u>
 Covered-employee payroll	 \$ 9,764,269	 \$ 9,764,269	 \$ 6,974,303	 \$ 6,974,303	 \$ 7,038,667	 \$ 7,038,667	 \$ 6,484,100	 \$ 6,484,100
 Board's total OPEB liability as a percentage of covered-employee payroll	 3.09%	 3.09%	 4.19%	 3.90%	 5.07%	 4.82%	 3.52%	 3.15%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

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

Valuation Date: 1/1/2024
 Measurement Date: 6/30/2025

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	5.20% which represents the Bond Buyer General Obligation 20-Bond Municipal Index
Inflation	2.50% per year
Healthcare Trend Rate	6.90% for fiscal year end 2023 (to reflect actual experience)
Salary Increase Rates	2.50% annually
Retirement Age	The average age at retirement is 62

OTHER SUPPLEMENTARY INFORMATION

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Combining Statement of Net Position
June 30, 2025

	Harrisonburg- Rockingham Community Services Board	Rockingham- Harrisonburg Halfway House, Inc.	Inter- Company Eliminations	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 23,211,988	\$ 1,944,596	\$ -	\$ 25,156,584
Operating accounts receivable, net	1,364,364	-	-	1,364,364
Miscellaneous accounts receivable	7,254	-	-	7,254
Due from other governments	536,655	-	-	536,655
Due from Harrisonburg-Rockingham CSB	-	310,200	(310,200)	-
Prepaid expenses	24,365	-	-	24,365
Restricted Current Assets:				
Cash restricted for representative payee beneficiaries	122,057	-	-	122,057
Total current assets	\$ 25,266,683	\$ 2,254,796	\$ (310,200)	\$ 27,211,279
Noncurrent Assets:				
Capital assets:				
Capital assets, nondepreciable	\$ 730,528	\$ 158,271	\$ -	\$ 888,799
Capital assets, depreciable, net	13,196,004	239,993	-	13,435,997
Intangible right-of-use assets, net	338,945	-	-	338,945
Net capital assets	\$ 14,265,477	\$ 398,264	\$ -	\$ 14,663,741
Net pension asset	3,274,214	-	-	3,274,214
Net OPEB asset	4,156	-	-	4,156
Total noncurrent assets	\$ 17,543,847	\$ 398,264	\$ -	\$ 17,942,111
Total assets	\$ 42,810,530	\$ 2,653,060	\$ (310,200)	\$ 45,153,390
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 918,457	\$ -	\$ -	\$ 918,457
OPEB related items	194,234	-	-	194,234
Total deferred outflows of resources	\$ 1,112,691	\$ -	\$ -	\$ 1,112,691
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 196,245	\$ -	\$ -	\$ 196,245
Accrued payroll and related liabilities	1,231,347	-	-	1,231,347
Accrued interest	36,577	-	-	36,577
Due to other governments, current portion	215,000	-	-	215,000
Due to Rockingham-Harrisonburg Halfway House	310,200	-	(310,200)	-
Amounts held for representative payee beneficiaries, payable from restricted assets	122,057	-	-	122,057
Unearned revenue	5,887,235	-	-	5,887,235
Lease liabilities, current portion	6,813	-	-	6,813
SBITA liability, current portion	225,267	-	-	225,267
Compensated absences, current portion	527,528	-	-	527,528
Total current liabilities	\$ 8,758,269	\$ -	\$ (310,200)	\$ 8,448,069
Long-term Liabilities:				
Due to other governments, net of current portion	\$ 2,166,667	\$ -	\$ -	\$ 2,166,667
Lease liabilities, net of current portion	8,496	-	-	8,496
SBITA liability, net of current portion	104,349	-	-	104,349
Compensated absences, net of current portion	465,836	-	-	465,836
Net OPEB liabilities	728,902	-	-	728,902
Total long-term liabilities	\$ 3,474,250	\$ -	\$ -	\$ 3,474,250
Total liabilities	\$ 12,232,519	\$ -	\$ (310,200)	\$ 11,922,319
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ 1,154,539	\$ -	\$ -	\$ 1,154,539
OPEB related items	188,350	-	-	188,350
Total deferred inflows of resources	\$ 1,342,889	\$ -	\$ -	\$ 1,342,889
NET POSITION				
Net investment in capital assets	\$ 11,538,885	\$ 398,264	\$ -	\$ 11,937,149
Restricted for employee pensions and other benefits	3,278,370	-	-	3,278,370
Unrestricted	15,530,558	2,254,796	-	17,785,354
Total net position	\$ 30,347,813	\$ 2,653,060	\$ -	\$ 33,000,873

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

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

	Harrisonburg- Rockingham Community Services Board	Rockingham- Harrisonburg Halfway House, Inc.	Inter- Company Eliminations	Total
Operating revenues:				
Patient pay	\$ 6,772,503	\$ -	\$ -	\$ 6,772,503
Operating expenses:				
Salaries and wages	\$ 12,794,600	\$ -	\$ -	\$ 12,794,600
Employee benefits	2,418,036	-	-	2,418,036
Facility, equipment, and vehicle	682,767	-	(160,000)	522,767
Contractual and professional services	1,357,339	-	-	1,357,339
Depreciation and amortization	987,461	20,995	-	1,008,456
Other expenses	1,176,219	-	-	1,176,219
Total operating expenses	\$ 19,416,422	\$ 20,995	\$ (160,000)	\$ 19,277,417
Net operating loss	\$ (12,643,919)	\$ (20,995)	\$ 160,000	\$ (12,504,914)
Nonoperating income (expenses):				
Intergovernmental revenues:				
Local sources:				
County of Rockingham, Virginia	\$ 1,249,273	\$ -	\$ -	\$ 1,249,273
City of Harrisonburg, Virginia	1,286,697	-	-	1,286,697
Commonwealth of Virginia	8,630,114	-	-	8,630,114
Federal government	829,275	-	-	829,275
Interest income	411,465	-	-	411,465
Interest expense	(134,131)	-	-	(134,131)
Miscellaneous income	858,906	160,000	(160,000)	858,906
Total nonoperating income (expense)	\$ 13,131,599	\$ 160,000	\$ (160,000)	\$ 13,131,599
Change in net position	\$ 487,680	\$ 139,005	\$ -	\$ 626,685
Net position, beginning of year, as previously reported	\$ 31,981,164	\$ 2,502,860	\$ -	\$ 34,484,024
Restatement	(2,109,836)	-	-	(2,109,836)
Net position, beginning of year, as restated	\$ 29,871,328	\$ 2,502,860	\$ -	\$ 32,374,188
Net position, end of year	\$ 30,359,008	\$ 2,641,865	\$ -	\$ 33,000,873

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

Combining Statement of Cash Flows
Year Ended June 30, 2025

	Harrisonburg- Rockingham Community Services Board	Rockingham- Harrisonburg Halfway House, Inc.	Inter- Company Eliminations	Total
Cash flows from operating activities:				
Receipts from clients, private insurers, Medicaid, and others	\$ 6,603,560	\$ -	\$ -	\$ 6,603,560
Payments to suppliers	(3,008,883)	-	160,000	(2,848,883)
Payments to and for employees	(15,318,470)	-	-	(15,318,470)
Net cash provided by (used for) operating activities	\$ (11,723,793)	\$ -	\$ 160,000	\$ (11,563,793)
Cash flows from noncapital financing activities:				
Intergovernmental revenues	\$ 14,309,269	\$ -	\$ -	\$ 14,309,269
Miscellaneous income	1,045,524	-	-	1,045,524
Net cash provided by (used for) noncapital financing activities	\$ 15,354,793	\$ -	\$ -	\$ 15,354,793
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (62,876)	\$ -	\$ -	\$ (62,876)
Payments on amounts due to local governments	(203,333)	-	-	(203,333)
Principal payments on leases and SBITAs	(249,517)	-	-	(249,517)
Interest payments	(129,872)	-	-	(129,872)
Net cash provided by (used for) capital and related financing activities	\$ (645,598)	\$ -	\$ -	\$ (645,598)
Cash flows from investing activities:				
Interest income	\$ 411,465	\$ -	\$ -	\$ 411,465
Net increase (decrease) in cash and cash equivalents	\$ 3,396,867	\$ -	\$ 160,000	\$ 3,556,867
Cash and cash equivalents, beginning of year	19,777,178	1,944,596	-	21,721,774
Cash and cash equivalents, end of year	\$ 23,174,045	\$ 1,944,596	\$ 160,000	\$ 25,278,641
Reconciliation to Statement of Net Position				
Cash and cash equivalents	\$ 23,211,988	\$ 1,944,596	\$ -	\$ 25,156,584
Cash restricted for representative payee beneficiaries	122,057	-	-	122,057
Cash and cash equivalents, end of year	\$ 23,334,045	\$ 1,944,596	\$ -	\$ 25,278,641
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Net operating loss	\$ (12,643,919)	\$ (20,995)	\$ 160,000	\$ (12,504,914)
Depreciation and amortization	987,461	20,995	-	1,008,456
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in:				
Operating accounts receivable, net	(168,943)	-	-	(168,943)
Prepaid expenses	118,059	-	-	118,059
Net pension asset	48,521	-	-	48,521
Net OPEB asset	(4,156)	-	-	(4,156)
Deferred outflows of resources	(598,891)	-	-	(598,891)
Increase (decrease) in:				
Accounts payable and other current liabilities	13,478	-	-	13,478
Accrued payroll and related liabilities	488,379	-	-	488,379
Compensated absences	106,455	-	-	106,455
Amounts held for representative payee beneficiaries, payable from restricted assets	75,905	-	-	75,905
Net OPEB liabilities	(51,660)	-	-	(51,660)
Deferred inflows of resources	(94,482)	-	-	(94,482)
Total cash provided by (used for) operating activities	\$ (11,723,793)	\$ -	\$ 160,000	\$ (11,563,793)

COMPLIANCE



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**TO THE BOARD OF DIRECTORS
HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD
HARRISONBURG, VIRGINIA**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Harrisonburg-Rockingham Community Services Board as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Harrisonburg-Rockingham Community Services Board's basic financial statements and have issued our report thereon dated June 2, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Harrisonburg-Rockingham Community Services Board's Response to Findings

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

Purpose of this Report

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

Robinson, Farmer, Cox Assoc.

Staunton, Virginia
June 2, 2026

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**TO THE BOARD OF DIRECTORS
HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD
HARRISONBURG, VIRGINIA**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Assoc.

Staunton, Virginia
June 2, 2026

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

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

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Block Grants for Community Mental Health Services	93.958	1B09SM087349-01	\$ 57,641
		1B08TI083972-01;	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1B08TI085838-01	470,488
Opioid STR	93.788	5H79TI085746-02	<u>112,065</u>
Total Department of Health and Human Services			\$ <u>640,194</u>
Department of Agriculture:			
Direct Payment:			
Child and Adult Care Food Program	10.558	Not Applicable	\$ <u>11,146</u>
Department of Education:			
Pass-Through Payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Special Education-Grants for Infants and Families	84.181	H181A230017; H181A240017	\$ <u>177,935</u>
Total Expenditures of Federal Awards			\$ <u><u>829,275</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

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

Note B - Summary of Significant Accounting Policies

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

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

(3) The Board elected to use the de minimis indirect cost rate allowed under the Uniform Guidance. During fiscal year 2025, the Board applied a 10 percent de minimis indirect cost rate to eligible federal programs for the period July 1, 2024 through September 30, 2024, and a 15 percent de minimis indirect cost rate to eligible federal programs for the period October 1, 2024 through June 30, 2025, as permitted by 2 CFR § 200.414(f).

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - Loans

At June 30, 2025, the Board had no outstanding loan balances requiring continuing reporting.

HARRISONBURG-ROCKINGHAM COMMUNITY SERVICES BOARD

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

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified?	<u>x</u>	yes	<u> </u>	no
- Significant deficiency(ies) identified?	<u> </u>	yes	<u>x</u>	none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?	<u> </u>	yes	<u>x</u>	no
- Significant deficiency(ies) identified?	<u> </u>	yes	<u>x</u>	none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes x no

Identification of major programs:

Assistance Listing # Name of Federal Program or Cluster

93.959 Block Grants for Prevention and Treatment of Substance Abuse

The threshold for distinguishing Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes x no

Section II-Financial Statement Findings

2025-001 Material Adjustments (Material Weakness)

Criteria: The management and staff of the Board should have sufficient controls in place to reconcile accounts, maintain depreciation schedules, and make all adjusting entries necessary to prepare financial statements in accordance with generally accepted accounting principles.

Condition: The financial statements required several material adjustments. Management and staff do not have sufficient controls in place to reconcile certain accounts, maintain depreciation schedules, and make all adjusting entries necessary to prepare financial statements in accordance with generally accepted accounting principles.

Cause: The Board does not have proper controls in place to detect and correct adjustments in closing year-end financial statements.

Effect: There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Board's internal controls over financial reporting.

Recommendation: We recommend that management and staff implement internal controls and procedures for reconciling accounts, maintaining depreciation schedules, proposing all necessary journal entries to prepare financial statements in accordance with generally accepted accounting principles, and preparing supporting schedules for the audit.

Views of Responsible Officials and Planned Corrective Actions: The Board agrees to review and implement the auditors' recommendations to improve operations and processes.

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Summary of Prior Year Findings

The finding reported in the prior year was repeated in the current year.