

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

LEXINGTON, VIRGINIA



FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

**ROCKBRIDGE AREA
COMMUNITY SERVICES BOARD**

LEXINGTON, VIRGINIA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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Respect

Acceptance

Compassion

Support

Rockbridge County

Steve Funkhouser, Vice Chair
Carolyn Kendall
Ann-Ashby McKissick
Karla Sprouse

Bath County

Gail Mason
Lori Hicks



KIM SHAW
Executive Director

Lexington

Michael Gilmore
Leonard Denicola
James Gire

Buena Vista

Hannah Becker
Chris Plogger
Michael Gibbons

BREANNE ROGERS
*Executive Assistant/
Communications Coordinator*



SAMANTHA HOKE
Director

Community Based Behavioral
Health and Prevention

Departments:

- Case Management Child/Adult
- Intensive Care Coord.
- Family Support Partner
- Psychosocial Rehabilitation
- Transitional Housing
- Prevention
 - RAPC & LHRK
- Therapeutic Day Treatment
- School Intervention Services



GREG HORNBACK
Director

Clinical Services

Departments:

- Outpatient & Same Day Access
- Emergency Services
- CIT Assessment & Task Force
- Office Support
- Psychiatry & Psychiatric Nursing



LISA ZWECKER
Director

Developmental Services

Departments:

- Day & Community Support Services
- Residential Services
- DD Support Coordination
- Early Intervention Services



MICHELE MATHIS
Director

Financial Services

Departments:

- Human Resources
- Accounting Services & Payroll
- Reimbursement & Credentialing
- Facility/Fleet
- Maintenance



DONALD SHERMAN
Director

Operations

Departments:

- Compliance & Ethics
- Medical Records
- Risk Management
- Continuous Quality Improvement
- Client Rights
- Information Technology



INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS
ROCKBRIDGE AREA COMMUNITY SERVICES BOARD
LEXINGTON, VIRGINIA**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Rockbridge Area Community Services Board, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Rockbridge Area 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 Rockbridge Area 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 Rockbridge Area 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 13 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 13 to the financial statements, in 2025, the Board restated beginning balances to reflect the requirements of GASB Statement No. 101, *Compensated Absences*. 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.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the organization chart and statistical schedules 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.

Report on Summarized Comparative Information

We have previously audited Rockbridge Area Community Services Board's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2025, on our consideration of the Rockbridge Area 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 Rockbridge Area 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 Rockbridge Area Community Services Board's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Assoc.

Staunton, Virginia
December 3, 2025

Management's Discussion and Analysis

Management's discussion and analysis provide an overview of Rockbridge Area Community Services Board's (RACS) financial performance and activities for the fiscal year ended June 30, 2025. This information should be read in conjunction with the financial statements that follow.

Basic Financial Statements

The financial statements are prepared on an accrual basis. The Statement of Net Position provides details on the nature and amount of the Board's assets and liabilities. The net position figure (the difference between assets and liabilities) is a measure of the Board's financial health. It describes available balances and identifies any restrictions that apply to those balances.

The Statement of Revenues, Expenses and Changes in Net Position measures the success of the Board's operations over the past year, as evidenced by either an increase or decrease in the net position at year end. This statement includes details on all revenue and expenses for the year, demonstrating whether the Board has been successful in obtaining both operating and non-operating revenues to cover the cost of providing services.

The Statement of Cash Flows provides information about the Board's cash receipts and disbursements during the reporting period. The statement reports changes in cash from operating, financing, and investing activities, and the resulting change in cash at the end of the fiscal year.

Financial Analysis

The following table summarizes the Statement of Net Position:

Summary of Statement of Net Position

	2025	2024	% Change
Current and other assets	\$ 10,588,521	\$ 8,365,213	26.6%
Capital assets, net of depreciation	4,374,684	4,390,969	-0.4%
Net pension asset	1,820,575	2,115,305	-13.9%
Total Assets	\$ 16,783,780	\$ 14,871,487	12.9%
Deferred Outflows of Resources	\$ 576,917	\$ 130,732	341.3%
Liabilities	\$ 5,074,682	\$ 4,309,188	17.8%
Deferred Inflows of Resources	\$ 589,105	\$ 568,065	3.7%
Net Position:			
Net investment in capital assets	\$ 1,292,736	\$ 1,215,757	6.3%
Restricted for debt service	18,868	18,868	0.0%
Restricted for employee pensions	1,820,575	2,115,305	-13.9%
Restricted for federal programs	21,866	27,040	-19.1%
Restricted for state programs	1,336,734	1,202,058	11.2%
Unrestricted	7,206,131	5,545,938	29.9%
Total Net Position	\$ 11,696,910	\$ 10,124,966	15.5%

Net Position

Our current and other assets increased by 26.6%. Cash increased by \$2,196,222 and non-client account receivables increased by \$8,339. Capital assets were virtually unchanged at -0.4% due to additions and depreciation. Accumulated depreciation decreased by \$1,021,308 due to clearing out old IT equipment from the Fixed Asset Listing. Due to the GASB 68 entry, our Net Pension Asset decreased by 13.9% to \$1,820,575.

Deferred Outflows and Inflows of Resources are a requirement of GASB 68 and GASB 75 reporting requirements. Our Net Deferred Outflows increased by \$446,185 or 341.3%, and our Net Deferred Inflows increased by \$21,040 or 3.7%. These changes are due to changes within the related activity in the pension and group life plan assets. Both GASB entries are created by our auditors, RFC, and are based upon independent reports regarding our pension and group life financial information.

Total liabilities increased by 17.8% or \$765,494 from the previous year. Although there were many small changes in liability balances, the deferred Permanent Support Housing funds totaling \$746,915 created a large change for the liabilities.

We continued to pay down long-term debt principal balance of the mortgage on the Greenhouse Road Building. The principal was reduced by \$93,264 in FY2025.

The Federal Carryover Balance was \$21,866 for Virginia Crisis Intervention Training ARPA funds. The State Carryover Balance was \$1,336,734, mostly from Step VA Primary Screening (\$319,536), Step VA Open Access (\$351,900), Step VA Veterans (\$135,700), and State Medically Assisted Opioid Treatment (\$334,658).

The overall net position increased by \$1,571,944 or 15.5% primarily due to State of Virginia funding, Federal funding, Contributions, and Interest Income.

Please see Notes 1, 5, and 6 for additional information.

Capital Assets

	Change in Capital Assets		
	<u>2025</u>	<u>2024</u>	<u>% Change</u>
Land and Land Improvements	\$ <u>631,445</u>	\$ <u>643,438</u>	-1.9%
Construction in progress			
Beginning balance	\$ 40,071	\$ -	
Additions	-	40,071	
Disposals	(40,071)	-	
Balance at June 30	\$ <u>-</u>	\$ <u>40,071</u>	-100.0%
Building	\$ <u>5,913,693</u>	\$ <u>5,913,693</u>	0.0%
Equipment			
Beginning balance	\$ 1,463,305	\$ 1,463,305	
Additions	145,215	-	
Disposals	(1,032,781)	-	
Balance at June 30	\$ <u>575,739</u>	\$ <u>1,463,305</u>	-60.7%
Vehicles			
Beginning balance	\$ 533,757	\$ 336,678	
Additions	133,068	197,079	
Disposals	(77,687)	-	
Balance at June 30	\$ <u>589,138</u>	\$ <u>533,757</u>	10.4%
Total capital assets	\$ <u>7,710,015</u>	\$ <u>8,594,264</u>	-10.3%
Accumulated Depreciation	(3,335,331)	(4,203,295)	-20.6%
Net capital assets	\$ <u><u>4,374,684</u></u>	\$ <u><u>4,390,969</u></u>	-0.4%

Our changes in Equipment included the additions of the pavilion at Greenhouse Road, \$39,806, a new roof for the administrative area, \$58,712, changes to our badge reader system at Greenhouse Road, and a new roof for the Magnolia Center, \$41,742. During the past year, we specifically targeted the Fixed Asset Listing for clean-up, as we had many old assets remaining on the list. This included an old system, exercise equipment, and training materials, \$58,546. IT also took on the clean-up challenge and eliminated \$974,235 in old, obsolete IT related equipment that included laptops, software, virtual servers, and phones.

As for vehicles, we added three additional vehicles and sold one vehicle. When we purchase a vehicle using specific grant funds, we must report it as an expense in the year purchased. This means not adding it to Fixed Assets, not depreciating it, simply recording it as an expense – fully paid for. Generally Accepted Accounting Principles require the auditors to adjust our financial reports and show the vehicle as a fixed asset and depreciate it over its reasonable life.

Our Net Capital Assets decreased by -0.4% or \$ 16,285. The additions, disposals, and depreciation were nearly net zero.

Operating Revenues

The following table provides a summary of operating revenues.

Operating Revenues				
<u>Disability</u>	<u>2025</u>	<u>2024</u>	<u>% Change</u>	
Mental Health	\$ 1,707,141	\$ 1,937,148	-11.9%	
Developmental Disability	2,822,658	2,869,765	-1.6%	
Substance Abuse	101,573	16,832	503.4%	
Total	<u>\$ 4,631,372</u>	<u>\$ 4,823,746</u>	-4.0%	

Our operating revenue was the result of fees for behavioral healthcare services provided in the areas of Mental Health, Developmental Disability, and Substance Abuse. During this year, fees for services were responsible for 40.6% of total revenue, which is -3.4% below last year.

Mental Health operating revenue for services decreased by -11.9%.

Operating revenue for Developmental Disability Services decreased by -1.6%.

Substance Abuse operating revenue increased by 503.4%. Fee revenue for Medicaid increased \$88,027 for the year. These increases were created by Medical Services and our SA Intensive Outpatient programs.

Non-operating Revenues

State funding increased \$113,459, or 2.4%. We received \$49,504 in Workforce Funds, \$66,669 in Data Modernization, \$10,000 in Regional Training Funds, \$14,000 in Gambling Funds, and \$6,766 in Mental Health First Aid training materials.

Federal funding increased by \$334,632 or 52.8%. \$126,072 in SA FBG Alcohol/Drug Treatment Fund, \$50,000 in SA Prevention ARPA funds, \$114,554 for IT Infrastructure, \$20,905 for FY2024 IT Infrastructure, and \$27,500 for the CIT Coalition ARPA.

Contributions increased by \$ 78,088 or 225.6%. We received \$10,000 from the Renaissance Charity from Aaron Law, and \$80,000 from the Rockbridge Community Health Foundation.

Interest income increased by 23.6%, totaling \$247,693, due to our increased cash balance.

The following table is a summary of the Statements of Revenues, Expenses and Changes in Net Position:

Statement of Revenues, Expenses and Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>% Change</u>
Revenues			
Operating revenues	\$ <u>4,631,372</u>	\$ <u>4,823,746</u>	-4.0%
Expenses			
Operating expenses	\$ <u>9,788,349</u>	\$ <u>8,257,182</u>	18.5%
Operating loss	\$ <u>(5,156,977)</u>	\$ <u>(3,433,436)</u>	50.2%
Nonoperating income (expenses)			
Local government	\$ 437,380	\$ 387,625	12.8%
State of Virginia	4,817,275	4,703,816	2.4%
Federal government	968,356	633,724	52.8%
Other	541,296	415,379	30.3%
Interest expense	(133,130)	(137,004)	-2.8%
Total	\$ <u>6,631,177</u>	\$ <u>6,003,540</u>	10.5%
Change in net position	\$ 1,474,200	\$ 2,570,104	-42.6%
Net Position, beginning of year, as restated	<u>10,222,710</u>	<u>7,554,862</u>	
Net Position, end of year	\$ <u><u>11,696,910</u></u>	\$ <u><u>10,124,966</u></u>	15.5%

Our local government revenue was obtained from our jurisdictions, the Cities of Buena Vista and Lexington, and the Counties of Bath and Rockbridge, served by us through budget requests. The revenue requested from each jurisdiction is based on its population and per capita rate. RACS is required by Virginia code to request a 10% match of State General Funds from its jurisdictions. In FY2025, RACS requested an increase for local governmental funding.

Revenues from the Commonwealth of Virginia increased by 2.4% or \$113,459. The increase was in State General Funds, the State increased the funds, and Child Crisis, we were reimbursed for more costs in FY2025. We also received \$49,504 in Workforce Funds, \$66,669 for Data Modernization, \$27,500 from the State CIT Coalition, and \$14,000 in Gambling Funds. We did receive \$746,915 in Permanent Supported Housing Funds right before June 30; however, we deferred these funds as they are intended for FY2026.

Funds from the Federal Government increased by 52.8% or \$334,632. This increase is directly related to the new reimbursement model for federal funds. We receive this funding only after we have incurred the expense and submit a request for reimbursement. We were owed \$67,325 for FY2024 reimbursements.

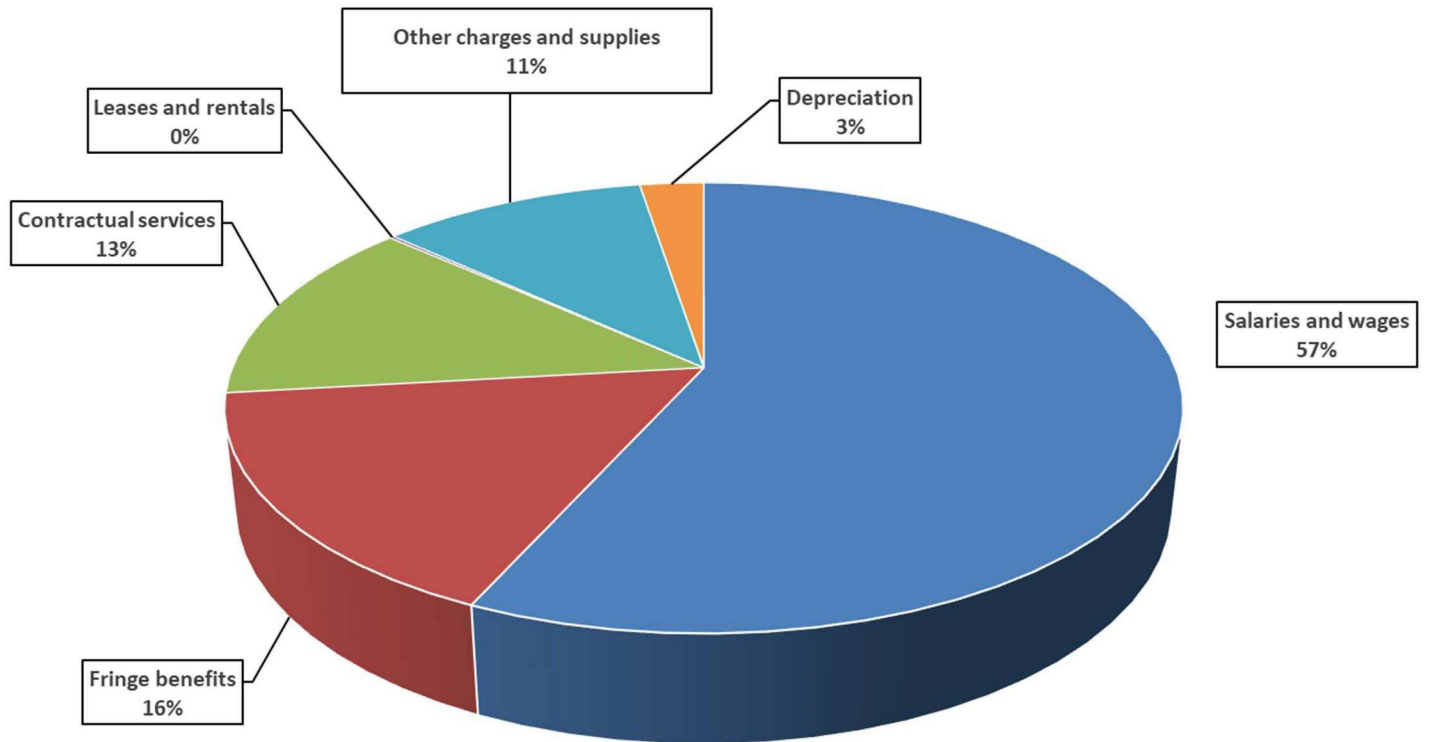
Other non-operating revenue sources increased by 30.3% or \$125,917, primarily due to Interest Income which is tied to our cash balance.

Operating Expenses:

The following table provides a summary of operating expenses.

Operating Expenses			
	<u>2025</u>	<u>2024</u>	<u>% Change</u>
Salaries and wages	\$ 5,556,240	\$ 5,274,308	5.3%
Fringe benefits	1,608,825	800,479	101.0%
Contractual services	1,313,939	1,198,226	9.7%
Leases and rentals	17,400	15,400	13.0%
Other charges and supplies	1,041,432	759,856	37.1%
Depreciation	250,513	208,913	19.9%
Total Expenses	<u>\$ 9,788,349</u>	<u>\$ 8,257,182</u>	18.5%

Proportional FY2025 Operating Expenses



Salaries and wages increased by \$281,932, 5.3% to \$ 5,556,240. This was due to a 5.0% pay increase for all staff who were employed for at least 6 months.

The following table further summarizes fringe benefits expense:

Fringe Benefits Expense

		2025		2024	% Change
FICA	\$	380,558	\$	379,839	0.2%
Health/dental		1,121,813		750,280	49.5%
VRS retirement/group life		44,956		(384,659)	-111.7%
Unemployment		5,935		7,182	-17.4%
Short term disability		29,847		27,056	10.3%
Flex plan/EAP/Other		25,716		20,781	23.7%
Total Expenses	\$	<u>1,608,825</u>	\$	<u>800,479</u>	101.0%

Fringe benefits increased by \$808,346, 101.0% to \$1,608,825. RACS continued paying a portion of the increase in annual health insurance premiums, \$182,087 increase from the prior year. VRS Retirement expense increased by \$434,415, primarily due to the GASB 68 and GASB 75 entries from the prior year. Health and Dental increased by 49.5% in FY2025. Flex Plan/EAP/Other increased by 23.7%.

Contractual Services increased by \$115,713, 9.7% to \$1,313,939. Maintenance Services increased by \$13,047, Other Contracts by \$38,714, and Grant – Consultants/Contracts by \$64,499. Several vendors increased their pricing including our electronic health records software, audit fees, appointment reminder services, and our insurance billing services. Several grants had one-time vehicle purchases recorded in Consultants/Contracts, \$43,387.

Leases and rentals increased by 13.0% to \$17,400. The only expense for this category is our Bath County Clinic rent.

Other charges and supplies increased by 37.1% or \$281,576. This included a \$33,261 increase in Renovations/Repairs, IT Equipment purchases increased \$87,182, and Drugs/Medical clients increased \$30,486. Our SARPOS (Substance Abuse Residential Purchase of Services) increased this year by \$61,087. LIPOS (Local Inpatient Purchase of Services) increased by \$21,550. Lastly, our Bad Debt year-end adjustment entry was \$63,028 higher than the previous year.

Depreciation increased by 19.9% or \$41,600. This was due to various vehicle purchases.

Summary

Rockbridge Area Community Services finished FY2025 with an increase in Net Position of \$1,571,944 to \$11,696,910. This is up 15.5% from the prior year.

RACS continued to have difficulty recruiting and retaining a well-rounded workforce, especially for outpatient and emergency services positions during the year. However, at the time of this analysis, we currently only have 2 full-time openings.

GASB 68 entries included income of \$107,332 and GASB 75 income was \$29,647.

The state Performance Contract requires RACSB to maintain two months of expenses as unrestricted funds in the bank. At the end of FY2025, the cash balance was \$9,855,027 with \$1,358,600 reserved for State and Federal balances. The net cash unreserved balance was \$8,496,831. Our DBHDS calculated reserve was 11.53 months.

RACS will need to continue to strategically cut expenses and focus on maximizing revenues to continue improving financial performance in FY2026. We plan to be more purposeful with Carryover Funds and expend these funds when possible.

FY2026 may be a year of change for us. DBHDS and the CSB's have several program changes intended for this next year, that may or may not be implemented. These include the DMAS Behavioral Health Services Redesign, moving toward the Certified Community Behavioral Health Clinic model, and lastly revised and additional financial reporting to DBHDS. We are transitioning into a new financial accounting system, Business Central, which is fully integrated with Microsoft 365, with a deadline of January 1st.

Contacting the CSB's Financial Management

This financial report is designed to provide citizens, consumers and their families, and taxpayers with a general overview of the RACS's finances. Questions regarding this report or requests for additional financial information should be made to Michele Mathis, Director of Finance and Administrative Services, 241 Greenhouse Road, Lexington, VA 24450; telephone (540) 462-6675.

FINANCIAL STATEMENTS

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Statement of Net Position
June 30, 2025
With Comparative Totals for 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 9,855,431	\$ 7,659,224
Accounts receivable, net of allowance for doubtful accounts	581,217	590,730
Prepaid items	132,446	95,847
Restricted current assets:		
Cash restricted for USDA loan	18,868	18,868
Cash restricted for others	559	544
Total current assets	<u>\$ 10,588,521</u>	<u>\$ 8,365,213</u>
Noncurrent Assets:		
Net pension asset	\$ 1,820,575	\$ 2,115,305
Capital Assets:		
Land and land improvements	631,445	643,438
Buildings	5,913,693	5,913,693
Construction in Progress	-	40,071
Equipment	575,739	1,463,305
Vehicles	589,138	533,757
Total capital assets	<u>\$ 7,710,015</u>	<u>\$ 8,594,264</u>
Accumulated depreciation	<u>(3,335,331)</u>	<u>(4,203,295)</u>
Net capital assets	<u>\$ 4,374,684</u>	<u>\$ 4,390,969</u>
Total noncurrent assets	<u>\$ 6,195,259</u>	<u>\$ 6,506,274</u>
Total assets	<u><u>\$ 16,783,780</u></u>	<u><u>\$ 14,871,487</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 516,370	\$ 80,705
OPEB related items	60,547	50,027
Total deferred outflows of resources	<u>\$ 576,917</u>	<u>\$ 130,732</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 122,231	\$ 172,041
Accrued expenses	308,827	219,752
Amounts held for others	559	544
Unearned revenue	746,915	-
Other current liabilities	309,915	136,505
Compensated absences, current portion	222,721	-
Loan payable, current portion	97,286	93,245
Total current liabilities	<u>\$ 1,808,454</u>	<u>\$ 622,087</u>

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Statement of Net Position (Continued)

June 30, 2025

With Comparative Totals for 2024

LIABILITIES (CONTINUED)	2025	2024
Noncurrent Liabilities:		
Net OPEB liability	\$ 192,162	\$ 198,726
Compensated absences, net of current portion	89,404	406,408
Loan payable, net of current portion	2,984,662	3,081,967
Total noncurrent liabilities	<u>\$ 3,266,228</u>	<u>\$ 3,687,101</u>
Total liabilities	<u>\$ 5,074,682</u>	<u>\$ 4,309,188</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$ 539,581	\$ 505,978
OPEB related items	49,524	62,087
Total deferred inflows of resources	<u>\$ 589,105</u>	<u>\$ 568,065</u>
NET POSITION		
Net investment in capital assets	\$ 1,292,736	\$ 1,215,757
Restricted:		
Debt service	18,868	18,868
Employee pensions	1,820,575	2,115,305
Federal balances	21,866	27,040
State balances	1,336,734	1,202,058
Unrestricted	7,206,131	5,545,938
Total net position	<u>\$ 11,696,910</u>	<u>\$ 10,124,966</u>

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2025
With Comparative Totals for 2024

	2025	2024
Operating revenues:		
Charges for services, net patient service revenue:		
Patient pay	\$ 52,688	\$ 59,070
Medicaid	4,279,374	4,316,430
Medicare	103,469	85,853
3rd party insurance	195,841	362,393
Total charges for services, net patient service revenue	<u>\$ 4,631,372</u>	<u>\$ 4,823,746</u>
Total operating revenues	<u>\$ 4,631,372</u>	<u>\$ 4,823,746</u>
Operating expenses:		
Salaries and wages	\$ 5,556,240	\$ 5,274,308
Fringe benefits	1,608,825	800,479
Contractual services	1,313,939	1,198,226
Leases and rentals	17,400	15,400
Other charges and supplies	1,041,432	759,856
Depreciation	<u>250,513</u>	<u>208,913</u>
Total operating expenses	<u>\$ 9,788,349</u>	<u>\$ 8,257,182</u>
Operating loss	<u>\$ (5,156,977)</u>	<u>\$ (3,433,436)</u>
Nonoperating income (expenses):		
Intergovernmental revenues:		
Local sources:		
County of Rockbridge, Virginia	\$ 242,148	\$ 218,242
City of Lexington, Virginia	78,183	71,443
City of Buena Vista, Virginia	71,543	64,016
County of Bath, Virginia	45,506	33,924
State of Virginia	4,817,275	4,703,816
Federal government	968,356	633,724
Interest income	247,693	200,454
Contributions	112,701	34,613
Miscellaneous income	180,902	180,312
Interest expense	<u>(133,130)</u>	<u>(137,004)</u>
Total nonoperating income (expense)	<u>\$ 6,631,177</u>	<u>\$ 6,003,540</u>
Change in net position	<u>\$ 1,474,200</u>	<u>\$ 2,570,104</u>
Net position, beginning of year, as previously reported	\$ 10,124,966	\$ 7,554,862
Restatement, see Note 13	97,744	-
Net position, beginning of year, as restated	<u>\$ 10,222,710</u>	<u>\$ -</u>
Net position, end of year	<u>\$ 11,696,910</u>	<u>\$ 10,124,966</u>

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

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

	2025	2024
Cash flows from operating activities:		
Receipts from customers	\$ 4,640,900	\$ 4,738,150
Payments to suppliers	(2,285,770)	(1,926,048)
Payments to and for employees	(7,209,508)	(6,490,452)
Net cash provided by (used for) operating activities	<u>\$ (4,854,378)</u>	<u>\$ (3,678,350)</u>
Cash flows from noncapital financing activities:		
Intergovernmental revenues	\$ 6,969,926	\$ 5,725,165
Contributions	112,701	34,613
Miscellaneous income	126,886	180,312
Net cash provided by (used for) noncapital financing activities	<u>\$ 7,209,513</u>	<u>\$ 5,940,090</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$ (238,212)	\$ (237,150)
Proceeds from sale of capital assets	58,000	-
Principal payments on long term debt	(93,264)	(89,391)
Interest expense	(133,130)	(137,004)
Net cash provided by (used for) capital and related financing activities	<u>\$ (406,606)</u>	<u>\$ (463,545)</u>
Cash flows from investing activities:		
Interest income	\$ 247,693	\$ 200,454
Net increase (decrease) in cash and cash equivalents	\$ 2,196,222	\$ 1,998,649
Cash and cash equivalents, (including restricted cash) beginning of year	<u>7,678,636</u>	<u>5,679,987</u>
Cash and cash equivalents, (including restricted cash) end of year	<u><u>\$ 9,874,858</u></u>	<u><u>\$ 7,678,636</u></u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	\$ (5,156,977)	\$ (3,433,436)
Depreciation	250,513	208,913
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in accounts receivable	9,513	(85,688)
(Increase) decrease in prepaid items	(36,599)	(2,113)
(Increase) decrease in net pension asset	294,730	(435,600)
(Increase) decrease in deferred outflows of resources	(446,185)	17,007
Increase (decrease) in net OPEB liability	(6,564)	(1,034)
Increase (decrease) in accounts payable	(49,810)	13,120
Increase (decrease) in accrued expenses	89,075	34,584
Increase (decrease) in other current liabilities	173,410	36,427
Increase (decrease) in compensated absences	3,461	71,873
Increase (decrease) in amounts held for others	15	92
Increase (decrease) in deferred inflows of resources	21,040	(102,495)
Total cash provided by (used for) operating activities	<u><u>\$ (4,854,378)</u></u>	<u><u>\$ (3,678,350)</u></u>

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Agency

The Board operates as an agent for the Counties of Rockbridge and Bath and Cities of Lexington and Buena Vista in the establishment and operation of community mental health, intellectual disabilities and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia (1950), relating to the Virginia Department of Behavioral Health and Disabilities Services. In addition, the Board provides a system of community mental health, developmental, and substance abuse services which relate to and are integrated with existing and planned programs.

The Board is not considered a component unit of either the Counties of Rockbridge or Bath or the Cities of Lexington or Buena Vista since none of the entities have oversight responsibility or are legally obligated to fund any deficit of the Board.

B. Financial Reporting Entity

For financial reporting purposes, these financial statements include all organizations for which the Board is considered accountable. Financial accountability includes the appointment of voting majority of the organization's governing body and the ability of the Board to impose its will on the organization or if there is a financial benefit/burden relationship. Also, an organization that is financially dependent on the Board should be included in its reporting entity.

Based on the above criteria, there are no other organizations to be included as part of the reporting entity.

C. Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board and the Virginia Department of Behavioral Health and Disabilities Services. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The Board is funded by Federal, State and local funds. Its accounting policies are governed by applicable provisions of these grants and applicable pronouncements and publications of the grantors. The Board utilizes the accrual basis of accounting for revenues and expenses. In accrual accounting, revenues are recognized when earned and expenses are recognized when incurred.

D. Budgets

Budgets are prepared by management and adopted by the Board for fiscal planning purposes only. Budgets are amended at various times during the year to reflect the availability of grants and other resources received during the year.

E. Basis of Accounting

Rockbridge Area Community Services Board is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board. For financial reporting purposes, the Board utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

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

F. Allowance for Uncollectible Accounts

The Board has estimated its allowance for uncollectible accounts based on historical collection data. The total allowance for uncollectible accounts was \$34,440 at June 30, 2025.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of one year. The Board has established a lower threshold for information technology equipment of \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation has been provided over the estimated useful lives using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10
Buildings	27.5-40
Equipment	5-7
Vehicles	5-7

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

H. Inventory

The Board expenses all materials and supplies when purchased. Inventory on hand is considered immaterial, and no provision is made for it in the financial statements.

I. 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; injuries to employees; and natural disasters. The Board carries commercial insurance for all of these risks of loss. Claims did not exceed coverage in any of the three most recent years.

J. Cash and Cash Equivalents

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

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

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

L. Restricted Cash

The Board is required to maintain \$18,868 in reserve by USDA Rural Development as specified by the loan agreement. In addition, the Board has restricted cash held for consumers in the amount of \$559.

M. Net Client Service Revenue

Client service revenue is recorded at scheduled rates when services are rendered. Allowances and provisions for uncollectible accounts and contractual adjustments are deducted to arrive at net client service revenue.

N. Comparative Totals

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

O. Fiscal Agent

The Rockbridge Area Community Services Board acts as its own fiscal agent.

P. Operating and Nonoperating Revenues and Expenses

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

Q. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

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

R. Net Position Flow Assumption

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

S. Deferred Outflows/Inflows of Resources

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

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

T. 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 fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

U. OPEB – Group Life Insurance

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize the Board to invest in obligations of the United States or 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). The Board held no investments as of June 30, 2025.

Credit Risk of Debt Securities

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the Board’s investing activities are managed to ensure the maximum preservation of capital and minimize credit risk. Investing is performed in accordance with the investment policy adopted by the Board of Directors complying with State Statutes. Per policy, investments should be categorized as Category Level 1, investments that are insured or registered or for which the securities are held by the Board or its safekeeping agent in the Board’s name. Board funds may be invested in:

1. U.S. Treasury Bills, Notes, Bonds, and other direct obligations of the United States Government.
2. Obligations of Agencies of the Federal Government including but not limited to the Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, and Student Loan Marketing Association.
3. Repurchase Agreements executed through Federal Reserve Member Banks or Primary Dealers in U.S. Government securities and collateralized by Treasury or Agency obligations the market value of which is at least 102% of the purchase price of the repo.
4. Certificates of deposit or other deposits of national banks located within the Commonwealth and state-chartered banks under Commonwealth supervision provided such deposits are insured or collateralized as provided by the Virginia Security for Public Deposits Act.
5. Money Market Mutual Funds which trade on a constant net asset value, and which invest solely in securities otherwise eligible for investment under these guidelines, including the Commonwealth of Virginia Treasury Department’s Local Government Investment Pool (LGIP).

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 3—ACCOUNTS RECEIVABLE:

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

Local Sources:	
Fees receivable	\$ 443,719
Other	165,022
Less allowance for doubtful accounts	<u>(34,440)</u>
Total receivable from local sources	\$ <u>574,301</u>
Commonwealth of Virginia:	
Virginia Foundation for Healthy Youth	\$ 2,494
Healthy Community Actions Team Grant	<u>4,422</u>
Total Commonwealth of Virginia	\$ <u>6,916</u>
Total accounts receivable	\$ <u><u>581,217</u></u>

NOTE 4—CAPITAL ASSETS:

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

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets not being depreciated:				
Land	\$ 614,171	\$ -	\$ -	\$ 614,171
Construction in progress	40,071	-	(40,071)	-
Total capital assets not being depreciated	\$ <u>654,242</u>	\$ <u>-</u>	\$ <u>(40,071)</u>	\$ <u>614,171</u>
Capital assets being depreciated:				
Buildings	\$ 5,913,693	\$ -	\$ -	\$ 5,913,693
Land improvements	29,267	-	(11,993)	17,274
Equipment	1,463,305	145,215	(1,032,781)	575,739
Vehicles	533,757	133,068	(77,687)	589,138
Total capital assets being depreciated	\$ <u>7,940,022</u>	\$ <u>278,283</u>	\$ <u>(1,122,461)</u>	\$ <u>7,095,844</u>
Accumulated depreciation:				
Buildings	\$ (2,605,991)	\$ (153,344)	\$ -	\$ (2,759,335)
Land improvements	(29,267)	-	11,993	(17,274)
Equipment	(1,237,880)	(53,234)	1,028,797	(262,317)
Vehicles	(330,157)	(43,935)	77,687	(296,405)
Total accumulated depreciation	\$ <u>(4,203,295)</u>	\$ <u>(250,513)</u>	\$ <u>1,118,477</u>	\$ <u>(3,335,331)</u>
Capital assets being depreciated, net	\$ <u>3,736,727</u>	\$ <u>27,770</u>	\$ <u>(3,984)</u>	\$ <u>3,760,513</u>
Net capital assets	\$ <u><u>4,390,969</u></u>	\$ <u><u>27,770</u></u>	\$ <u><u>(44,055)</u></u>	\$ <u><u>4,374,684</u></u>

Current year depreciation expense amounted to \$250,513.

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 5—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.

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 5—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 and 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation, and the retirement multiplier is 1.65% for non-hazardous duty employees and 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation, and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	68
Inactive members:	
Vested inactive members	52
Non-vested inactive members	100
Inactive members active elsewhere in VRS	<u>68</u>
Total inactive members	220
Active members	<u>89</u>
Total covered employees	<u><u>377</u></u>

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2025 (Continued)

NOTE 5—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 2.40% 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 \$114,911 and \$80,705 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 \$29,891 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 \$13,659 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$2,763,803 for the year ended June 30, 2025.

Net Pension Asset

The net pension liability (asset) (NPL or 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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 5—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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 5—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%
MAPS - Multi-Asset Public Strategies	1.00%	8.00%	0.08%
PIP - Private Investment Partnerships	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	<u>100.00%</u>		<u>7.07%</u>
Expected arithmetic nominal return**			<u>7.07%</u>

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

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 5—PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 17,194,343	\$ 19,309,648	\$ (2,115,305)
Changes for the year:			
Service cost	\$ 322,281	\$ -	\$ 322,281
Interest	1,153,014	-	1,153,014
Differences between expected and actual experience	936,738	-	936,738
Contributions - employer	-	77,793	(77,793)
Contributions - employee	-	196,800	(196,800)
Net investment income	-	1,855,036	(1,855,036)
Benefit payments, including refunds	(869,863)	(869,863)	-
Administrative expenses	-	(12,694)	12,694
Other changes	-	368	(368)
Net changes	\$ 1,542,170	\$ 1,247,440	\$ 294,730
Balances at June 30, 2024	\$ 18,736,513	\$ 20,557,088	\$ (1,820,575)

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 5—PENSION PLAN: (CONTINUED)

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

The following presents the net pension liability (asset) of 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		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Rockbridge Area Community Services Board			
Net Pension Liability (Asset)	\$ 743,284	\$ (1,820,575)	\$ (3,856,555)

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 expenses of \$4,667. At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 401,459	\$ -
Net difference between projected and actual earnings on pension plan investments	-	539,581
Employer contributions subsequent to the measurement date	114,911	-
Total	\$ 516,370	\$ 539,581

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2025 (Continued)

NOTE 5—PENSION PLAN: (CONTINUED)

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

\$114,911 reported as deferred outflows of resources related to pensions resulting from the differences between expected and actual experience 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:

<u>Year Ended June 30</u>		
2026	\$	(72,291)
2027		153,303
2028		(104,705)
2029		(114,429)
2030		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <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.

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ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 6—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.

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 6—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% x 60%) and the employer component was 0.47% (1.18% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025, was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$22,557 and \$23,881 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 \$192,162 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 .01722% as compared to .01657% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of (\$7,091). 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.

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 6—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	\$ 30,308	\$ 4,694
Net difference between projected and actual earnings on GLI OPEB plan investments	-	16,197
Change in assumptions	1,095	9,523
Changes in proportionate share	6,587	19,110
Employer contributions subsequent to the measurement date	<u>22,557</u>	<u>-</u>
Total	<u>\$ 60,547</u>	<u>\$ 49,524</u>

\$22,557 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2026	\$ (16,876)
2027	(974)
2028	(1,289)
2029	3,444
2030	4,161
Thereafter	-

Notes to Financial Statements
June 30, 2025 (Continued)

NOTE 6—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

Actuarial Assumptions:

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 6—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.

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 6—GROUP LIFE INSURANCE (GLI) (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	<u>100.00%</u>		<u>7.07%</u>
Expected arithmetic nominal return**			<u>7.07%</u>

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

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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2025 (Continued)

NOTE 6—GROUP LIFE INSURANCE (GLI) (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 member contributions will be made per the VRS guidance, and the employer contributions will be made in accordance with the VRS funding policy and 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 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%)
Rockbridge Area Community Services Board's proportionate share of the GLI Plan			
Net OPEB Liability (Asset)	\$ 298,837	\$ 192,162	\$ 105,983

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.

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 7—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 (paid out) during or upon separation from employment. Based on the criteria listed, the Board's combined time off (CTO) qualifies for liability recognition. The Board's policy for CTO permits employees to earn paid time off each month at a scheduled rate based on their years of service, as well as accumulate earned but unused time off, 25% of which is eligible for payment at the employee's current pay rate upon separation from employment. The Board's liability for compensated absences totaled \$312,125 at June 30, 2025.

NOTE 8—LONG-TERM OBLIGATIONS:

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

	Balance July 1, 2024, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2025	Due Within One Year
Direct borrowings and direct placements:					
Loan payable	\$ 3,175,212	\$ -	\$ (93,264)	\$ 3,081,948	\$ 97,286
Other long-term obligations:					
Compensated absences	308,664	593,287	(589,826)	312,125	222,721
Net OPEB Liability	198,726	92,986	(99,550)	192,162	-
Total	\$ 3,682,602	\$ 686,273	\$ (782,640)	\$ 3,586,235	\$ 320,007

Annual Requirements to Amortize Long-Term Obligations:

Direct Borrowings and Direct Placements:		
Year Ending June 30,	Loan Payable	
	Principal	Interest
2026	\$ 97,286	\$ 129,130
2027	101,502	124,914
2028	105,901	120,515
2029	110,490	115,926
2030	115,279	111,137
2031-2035	655,808	476,272
2036-2040	810,775	321,305
2041-2045	1,002,363	129,717
2046	82,544	870
Total	\$ 3,081,948	\$ 1,529,786

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations:

Loan Payable:

The Board entered into a loan agreement with USDA on December 28, 2007, in the amount of \$4,259,000 at an interest rate of 4.25%, which was used to finance construction of a 28,000 square foot office building. Monthly payments of principal and interest total \$18,868. The maturity date of the loan is December 28, 2045, and the balance outstanding at June 30, 2025 was \$3,081,948.

The Board's outstanding USDA loan payable contains a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Board has pledged to secure the obligation with the administrative building and the parcel of land where the administrative building is located.

NOTE 9—CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTE 10—LOCAL SUPPORT:

Cash contributions to the Rockbridge Area Community Services Board by the supporting localities are as follows:

Rockbridge County	\$	242,148
City of Lexington		78,183
City of Buena Vista		71,543
Bath County		45,506
Total	\$	<u>437,380</u>

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 11—NET POSITION RESTRICTED FOR FEDERAL AND STATE PROGRAMS:

Net position restricted for federal and state programs consisted of the following at June 30, 2025:

Federal programs:		
Federal American Rescue Plan Act	\$	21,866
State programs:		
State step Virginia	\$	787,447
State Medication Assisted Treatment Program - opioid		359,964
Other state programs		189,323
Total state programs	\$	<u>1,336,734</u>
Total net position restricted for federal and state programs	\$	<u><u>1,358,600</u></u>

NOTE 12—SELF FUNDED MEDICAL AND PRESCRIPTION INSURANCE PLAN:

The Board offers health coverage to employees through a group medical plan. The plan participates in the risk sharing pool Employers Health Risk Consortium. The Board's plan covers medical and prescription drug benefits on a self-funded basis. The Board records an estimated liability for health care claims based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported (IBNR) based on an IBNR reserve analysis report prepared by an actuary. The Board's IBNR liability as of June 30, 2025, is \$50,241. The changes in aggregate liabilities for claims, including IBNR claims, for the current and two prior years are as follows:

<u>Fiscal Year</u>	<u>Claims Liabilities Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Claims Liabilities Ending of Fiscal Year</u>
2024-2025	\$ 59,927	\$ 412,601	\$ 422,287	\$ 50,241
2023-2024	60,828	455,537	456,438	59,927
2022-2023	71,905	546,343	557,420	60,828

NOTE 13—ADOPTION OF ACCOUNTING PRINCIPLES:

The Board implemented provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences* during the fiscal year ended June 30, 2025. Statement No. 101 updates the recognition and measurement guidance for compensated absences to align under a unified model and amends certain previously required disclosures. The implementation of this Statement resulted in the following restatement of net position:

Net position at June 30, 2024, as originally reported	\$	10,124,966
To restate Compensated Absences liability at June 30, 2024 resulting from the implementation of GASB No. 101		<u>97,744</u>
Net position at June 30, 2024, as restated	\$	<u><u>10,222,710</u></u>

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2025 (Continued)

NOTE 14—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

ROCKBRIDGE AREA COMMUNITY SERVICES BOARD

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

	2024	2023	2022	2021
Total pension liability:				
Service cost	\$ 322,281	\$ 321,847	\$ 291,641	\$ 313,457
Interest	1,153,014	1,140,722	1,096,780	979,867
Differences between expected and actual experience	936,738	(465,907)	(69,911)	295,184
Changes of assumptions	-	-	-	486,398
Benefit payments	(869,863)	(760,123)	(635,308)	(633,701)
Net change in total pension liability	\$ 1,542,170	\$ 236,539	\$ 683,202	\$ 1,441,205
Total pension liability - beginning	17,194,343	16,957,804	16,274,602	14,833,397
Total pension liability - ending (a)	\$ 18,736,513	\$ 17,194,343	\$ 16,957,804	\$ 16,274,602
Plan fiduciary net position:				
Contributions - employer	\$ 77,793	\$ 75,366	\$ 53,678	\$ 51,786
Contributions - employee	196,800	176,578	218,215	166,612
Net investment income	1,855,036	1,191,884	(18,140)	4,153,796
Benefit payments	(869,863)	(760,123)	(635,308)	(633,701)
Administrator charges	(12,694)	(12,044)	(11,840)	(10,460)
Other	368	478	438	390
Net change in plan fiduciary net position	\$ 1,247,440	\$ 672,139	\$ (392,957)	\$ 3,728,423
Plan fiduciary net position - beginning	19,309,648	18,637,509	19,030,466	15,302,043
Plan fiduciary net position - ending (b)	\$ 20,557,088	\$ 19,309,648	\$ 18,637,509	\$ 19,030,466
Board's net pension liability (asset) - ending (a) - (b)	\$ (1,820,575)	\$ (2,115,305)	\$ (1,679,705)	\$ (2,755,864)
Plan fiduciary net position as a percentage of the total pension liability (asset)	109.72%	112.30%	109.91%	116.93%
Covered payroll	\$ 4,422,362	\$ 3,902,949	\$ 3,606,704	\$ 3,626,748
Board's net pension liability (asset) as a percentage of covered payroll	-41.17%	-54.20%	-46.57%	-75.99%

	2020		2019		2018		2017		2016		2015
\$	312,958	\$	371,277	\$	325,126	\$	322,783	\$	413,878	\$	413,588
	942,664		873,394		805,985		807,820		789,883		768,095
	(112,345)		331,345		332,499		(510,090)		(387,062)		(439,695)
	-		472,045		-		(92,990)		-		-
	(550,544)		(568,894)		(432,373)		(675,104)		(445,802)		(415,648)
\$	592,733	\$	1,479,167	\$	1,031,237	\$	(147,581)	\$	370,897	\$	326,340
	14,240,664		12,761,497		11,730,260		11,877,841		11,506,944		11,180,604
\$	14,833,397	\$	14,240,664	\$	12,761,497	\$	11,730,260	\$	11,877,841	\$	11,506,944
\$	28,367	\$	31,097	\$	111,975	\$	103,818	\$	190,154	\$	207,564
	176,911		178,953		201,697		192,582		194,798		220,728
	292,520		975,092		1,025,121		1,534,260		221,307		551,636
	(550,544)		(568,894)		(432,373)		(675,104)		(445,802)		(415,648)
	(10,058)		(9,785)		(8,769)		(9,075)		(7,741)		(7,421)
	(345)		(613)		(916)		(1,355)		(93)		(115)
\$	(63,149)	\$	605,850	\$	896,735	\$	1,145,126	\$	152,623	\$	556,744
	15,365,192		14,759,342		13,862,607		12,717,481		12,564,858		12,008,114
\$	15,302,043	\$	15,365,192	\$	14,759,342	\$	13,862,607	\$	12,717,481	\$	12,564,858
\$	(468,646)	\$	(1,124,528)	\$	(1,997,845)	\$	(2,132,347)	\$	(839,640)	\$	(1,057,914)
	103.16%		107.90%		115.66%		118.18%		107.07%		109.19%
\$	3,813,304	\$	3,829,969	\$	4,329,812	\$	3,827,562	\$	3,783,840	\$	4,068,350
	-12.29%		-29.36%		-46.14%		-55.71%		-22.19%		-26.00%

Schedule of Employer Contributions

Pension Plan

Years Ended June 30, 2016 through June 30, 2025

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	\$ 114,911	\$ 114,911	\$ -	\$ 4,787,953	2.40%
2024	80,705	80,705	-	4,422,362	1.82%
2023	76,890	76,890	-	3,902,949	1.97%
2022	53,124	53,124	-	3,606,704	1.47%
2021	49,703	49,703	-	3,626,748	1.37%
2020	21,800	21,800	-	3,813,304	0.57%
2019	29,065	29,065	-	3,829,969	0.76%
2018	112,804	112,804	-	4,329,812	2.61%
2017	107,171	107,171	-	3,827,562	2.80%
2016	190,154	190,154	-	3,783,840	5.03%

* 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 Rockbridge Area Community Services Board's Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2024

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2024	0.01722%	\$ 192,162	\$ 4,422,362	4.35%	73.41%
2023	0.01657%	198,726	3,902,949	5.09%	69.30%
2022	0.01659%	199,760	3,609,097	5.53%	67.21%
2021	0.01790%	208,871	3,703,332	5.64%	67.45%
2020	0.01888%	315,077	3,886,602	8.11%	52.64%
2019	0.01955%	318,131	3,831,786	8.30%	52.00%
2018	0.02280%	346,000	4,329,812	7.99%	51.22%
2017	0.02107%	313,000	3,827,562	8.18%	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.

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

Years Ended June 30, 2016 through June 30, 2025

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2025	\$ 22,557	\$ 22,557	\$ -	\$ 4,799,333		0.47%
2024	23,881	23,881	-	4,422,362		0.54%
2023	21,076	21,076	-	3,902,949		0.54%
2022	19,489	19,489	-	3,609,097		0.54%
2021	20,210	20,210	-	3,703,332		0.55%
2020	19,937	19,937	-	3,886,602		0.51%
2019	19,925	19,925	-	3,831,786		0.52%
2018	22,526	22,526	-	4,329,812		0.52%
2017	19,000	19,000	-	3,827,562		0.50%
2016	18,177	18,177	-	3,786,920		0.48%

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

OTHER INFORMATION

STATISTICAL SCHEDULES

Standard Schedule of Current Property and Casualty Insurance
Year Ended June 30, 2025

Insurance Coverage	Ins. Co. / Agent/Policy #	Policy Period	Limits of Liability		Ded.	Annual Premium
Workers Compensation	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-22	7/1/24-6/30/25	Accident Injury by disease Disease aggregate	\$1,000,000 \$1,000,000 \$1,000,000	N/A	\$26,904
Building & Contents	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-22	7/1/24-6/30/25	Buildings/Contents	Replacement Cost	\$1000/occurrence	\$12,647
General Liability	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-22	7/1/24-6/30/25	Bodily/Personal Injury Employee Benefits Fire Legal	\$2,000,000 \$2,000,000 \$500,000	N/A	\$10,650
Excess Liability	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-22	7/1/24-6/30/25	General Liability Auto Liability	\$4,000,000 \$4,000,000	N/A	\$13,180
Environmental	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-22	7/1/24-6/30/25	Pool Aggregate	\$2,000,000	\$25,000	Included
Cyber Risk	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-22	7/1/24-6/30/25	Cyber Risk	\$5,000,000	N/A	\$15,000
Commercial Auto	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-22	7/1/24-6/30/25	Combined Single Limit	\$2,000,000	\$1,000 per occurrence	\$16,678
Crime	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-22	7/1/24-6/30/25	Employee Dishonesty & Securities/Counterfeit	\$500,000	\$250	\$1,050
Public Officials	Co: Virginia Association of Counties Group Pool Ag: Pol. #: VA-RO-724-22	7/1/24-6/30/25	Wrongful Acts Annual Contract	\$1,000,000 \$1,000,000	\$2,500	\$3,911
						Total \$ 100,020

Rockbridge Area Community Services Board
Client Statistics
For the Years Ended June 30, 2018 through June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Clients Served by Disability								
Mental Health	1,506	1,586	1,516	1,495	1,441	1,548	1,445	1,502
Developmental Services	312	259	287	343	258	261	321	299
Substance Abuse	<u>201</u>	<u>211</u>	<u>183</u>	<u>184</u>	<u>160</u>	<u>142</u>	<u>136</u>	<u>335</u>
Total Clients Served	<u><u>2,019</u></u>	<u><u>2,056</u></u>	<u><u>1,986</u></u>	<u><u>2,022</u></u>	<u><u>1,859</u></u>	<u><u>1,951</u></u>	<u><u>1,902</u></u>	<u><u>2,136</u></u>

Description/ Application	Vendor/Name/ Model	Development Stage	Hardware	Operating System
General Ledger, Payroll, Accounts Payable, Budget	Microsoft Dynamics GP	Fully Operational	Dell VRTX Virtual Environment	Windows Server 2008 R2 Standard
Reimbursement & Client Demographics	Credible	Fully Operational	Cloud Based	N/A
Fixed Assets	Microsoft Dynamics GP	Fully Operational	Dell VRTX Virtual Environment	Windows Server 2008 R2 Standard
Purchasing	None	Manual Operation	Personal Computer	Windows 10 Pro

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
ROCKBRIDGE AREA COMMUNITY SERVICES BOARD
LEXINGTON, 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 Rockbridge Area Community Services Board as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Rockbridge Area Community Services Board's basic financial statements and have issued our report thereon dated December 3, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rockbridge Area 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 Rockbridge Area Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Rockbridge Area 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rockbridge Area 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*.

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
December 3, 2025



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

**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
ROCKBRIDGE AREA COMMUNITY SERVICES BOARD
LEXINGTON, VIRGINIA**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rockbridge Area 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 Rockbridge Area Community Services Board's major federal programs for the year ended June 30, 2025. Rockbridge Area 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, Rockbridge Area 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 Rockbridge Area 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 Rockbridge Area 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 Rockbridge Area 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 Rockbridge Area 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 Rockbridge Area 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 Rockbridge Area 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 Rockbridge Area 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 Rockbridge Area 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
December 3, 2025

ROCKBRIDGE AREA 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	119417	\$ 85,018
Block Grants for Prevention and Treatment of Substance Abuse	93.959	118754, 119420, 119423	440,343
Opioid STR	93.788	119310, 119313, 119314	212,106
Total Department of Health and Human Services			\$ 737,467
Department of Agriculture:			
Direct Payment:			
Child and Adult Care Food Program	10.558	Not Available	\$ 9,465
Department of the Treasury			
Pass-Thru Payments:			
Virginia Department of Behavioral Health and Developmental Services			
COVID-19-Coronavirus State and Local Fiscal Recovery Funds	21.027	120646	\$ 166,729
Department of Education			
Pass-Thru Payments:			
Virginia Department of Behavioral Health and Developmental Services			
Special Education-Grants for Infants and Families	84.181	119315	\$ 59,869
Total Expenditures of Federal Awards			\$ 973,530

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 Rockbridge Area 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 Rockbridge Area Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of Rockbridge Area 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 available.

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - Indirect Cost Recovery

The entity has elected not to use the 15% de minimis indirect cost rate allowed under Uniform Guidance.

Note E - Reconciliation of the Schedule of Expenditures of Federal Awards to Federal Revenues Reported on the Statement of Revenues, Expenses and Changes in Net Position

Federal revenue reported	\$ 968,356
Reconciling items:	
Unexpended current year funds	(21,866)
Revenue recognition timing differences	27,040
Total expenditures of federal awards	\$ 973,530

ROCKBRIDGE AREA 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? yes x no

- Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes x no

- Significant deficiency(ies) identified? yes x 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 Numbers:

93.959 -- Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes x no

Section II-Financial Statement Findings

There are no financial statement findings to report.

Section III-Federal Award Findings and Questioned Costs

There are no federal award findings to report.

Section IV-Summary Schedule of Prior Year Findings

There are no prior year findings to report.