



A Component Unit of the City of Richmond, Virginia

Financial Report

June 30, 2025

Richmond Behavioral Health Authority

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Introductory Section

Richmond Behavioral Health Authority

Directory of Principal Officials

June 30, 2025

Board of Directors

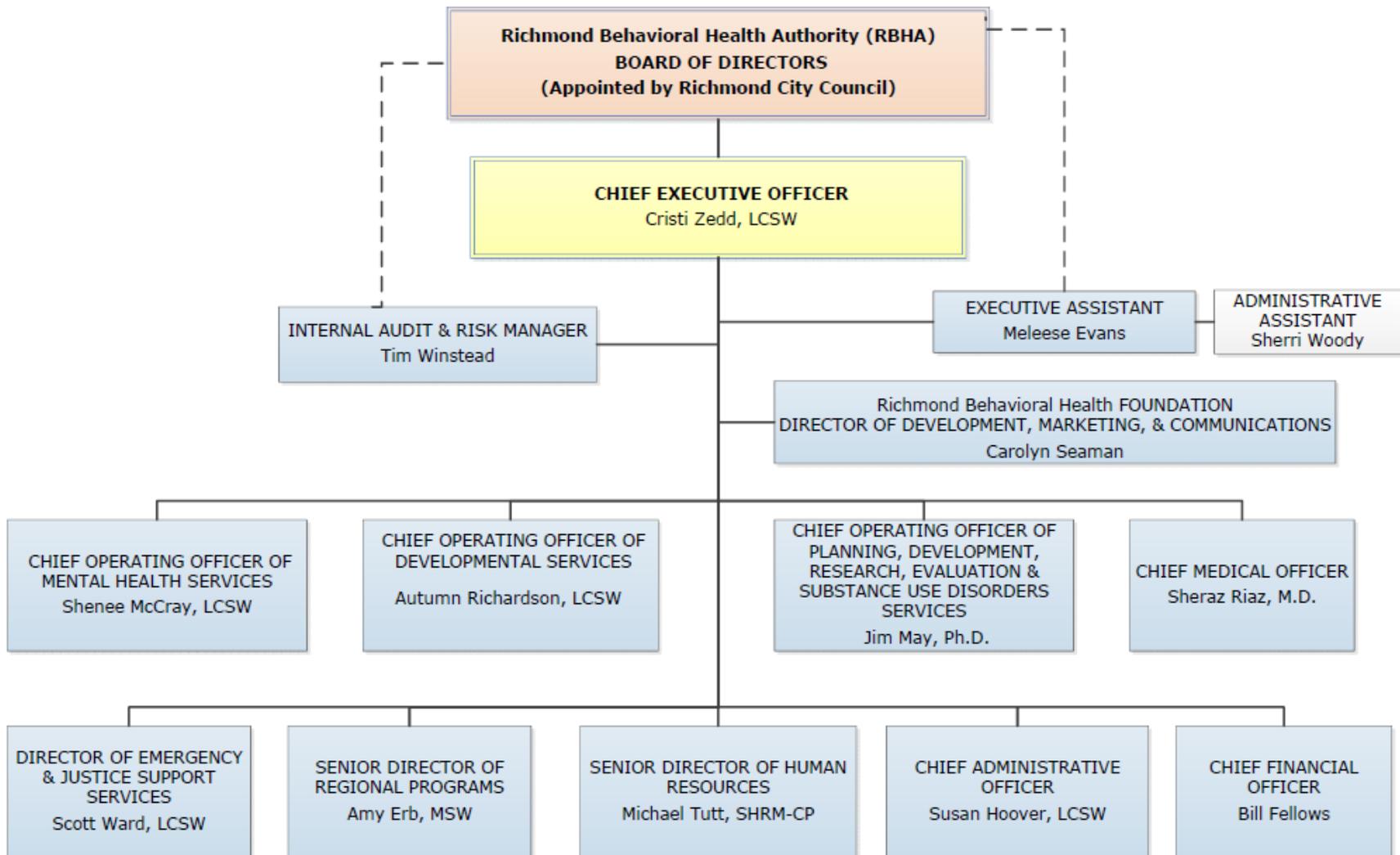
Irvin Dallas, Chair
Karah Gunther, Vice Chair
Malesia “Nikki” Taylor, Secretary/Treasurer

Dennis Cohen
Stephen Willoughby
Rev. Aria Kirkland-Harris
Deborah Dancey
Diane Sheehey
Scott Cannady

Kristi Babenko
Jenny Aghomo
Rev. Dana Sally-Allen
Cynthia Newbille, Ph.D.
Anika Richburg

Principal Management Team

Cristen Zedd, LCSW Chief Executive Officer
Shenee McCray, LCSW Chief Operating Officer of Mental Health Services
Scott Ward, LCSW Director of Emergency and Justice Support Services
James C. May, Ph.D. Chief Operating Officer of Planning, Development, Research, Evaluation, and
Substance Use Disorders Services
Michael Tutt Senior Director of Human Resources
Bill Fellows Chief Financial Officer
Autumn Richardson, LCSW Chief Operating Officer of Developmental Services
Susan Hoover, LCSW Chief Administrative Officer
Steve Buffenstein Director of Information Technology
Amy Erb Director of Regional Programs
Sheraz Riaz, Ph.D. Chief Medical Officer
Carolyn Seamen Foundation Director of Development, Marketing, and Communications





Financial Section

The Financial Section contains the
Basic Financial Statements.

Independent Auditor's Report

To the Board of Directors
Richmond Behavioral Health Authority
Richmond, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Richmond Behavioral Health Authority (the "Authority"), a component unit of the City of Richmond, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority, as of June 30, 2025, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority 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 1 to the financial statements, in 2025, the Authority adopted new accounting guidance, 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 the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Other Information

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

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

Report on Summarized Comparative Information

We have previously audited the Authority's 2024 financial statements, and our report dated December 18, 2024 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented therein 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 January 7, 2026 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is

an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
January 7, 2026

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

The following Management's Discussion and Analysis provides an overview of the Richmond Behavioral Health Authority's (RBHA) financial activities for the fiscal year ended June 30, 2025. This information should be read in conjunction with the RBHA's financial statements and footnote disclosures. All amounts are rounded to the nearest thousand in this discussion.

General Comments on Fiscal Year 2025

Overall, revenue was down for fiscal year 2025 and RBHA's net position was negative at (\$3.7 million), a decrease of (\$9.4 million). This change was due to a smaller increase in client service revenue than anticipated and is linked to the implementation of a new Electronic Health Record software system in November 2024. Expenses increased from \$95.5 million to \$104.3 million, or 9.22%, but were still below the budgeted expenses of \$108 million. The significant increase in expenses is related to higher costs to attract and retain employees. RBHA invested in a secure future, as capital assets increased by \$5.5 million to \$37.2 million including increases in required reporting of leases and subscription based information technology agreements (SBITA), resurfacing a parking lot at the North Campus, updating North Campus kitchen equipment, improvements to the employee gym and various new fleet vehicles.

Regional Programs

Role as Fiscal Agent

During fiscal year 2025, RBHA continued to serve as the Fiscal Agent for Region IV community services boards of the Virginia Department of Behavioral Health and Developmental Services (DBHDS). Region IV community services boards, in addition to RBHA, include Chesterfield, Goochland-Powhatan, Crossroads, Henrico, Hanover, and District 19 (catchment area includes the Central State Hospital). Broadly stated, these regional programs are intended to keep people out of an institutional setting and in a community-based setting. Region IV expended approximately \$18.3 million in fiscal year 2025 to support such programs. As of June 30, 2025, RBHA held approximately \$20 million of Regional funds.

In fiscal year 2018, the DBHDS requested RBHA to serve as the Fiscal Agent for certain programs administered by the DBHDS. These funds, listed as Non-Authority, Non-Region Funds Held (NANR), serve statewide programs including Jump Start, Child Respite, Guardianship and Statewide Early Intervention. These programs expended over \$649,000 in fiscal year 2025. As of June 30, 2025, RBHA held approximately \$5.4 million of NANR funds.

Regional Education Assessment Crisis Habilitation (REACH)

The Regional Education Assessment Crisis Habilitation (REACH) program is designed to serve adults with an intellectual disability and/or developmental disability, as well as a mental health condition or challenging behavior that is negatively affecting their quality of life. This program is a critical component of the commonwealth's plan for complying with the recently agreed upon settlement with the Department of Justice involving the closing of the state's training centers for people with intellectual disabilities. In March 2014, the Southside Virginia Training Center, located in Region IV, closed. During fiscal years 2015 to 2017, RBHA purchased land in Chesterfield County and constructed a house designed to meet the needs of the REACH program. Between 2018 and 2020 two additional homes were constructed with one designed to serve children in the REACH program and the second to serve adults in a transitional status within REACH. As part of STEP-VA, RBHA's REACH staff expanded REACH services to include Adult Mental Health Mobile Crisis during fiscal year 2020.

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

Financial Statement Overview

RBHA's three basic financial statements are: (1) Statement of Net Position; (2) Statement of Revenues, Expenses and Changes in Fund Net Position; and (3) Statement of Cash Flows.

Our financial position is measured in terms of resources (assets) we own and deferred outflows of resources and obligations (liabilities) we owe and deferred inflows of resources on a given date. This information is reported on the Statement of Net Position, which reflects RBHA's assets in relation to its debts to its suppliers, employees and other creditors. The excess of our assets and deferred outflows of resources over liabilities and deferred inflows of resources is our equity, or net position.

A summary of the Statement of Net Position for RBHA for 2025 and 2024 is presented below (rounded to the nearest thousand):

	2025	2024
Current Assets	\$ 37,573,000	\$ 30,313,000
Capital Assets	37,248,000	31,746,000
Total Assets	74,821,000	62,059,000
Deferred Outflows of Resources	2,895,000	4,841,000
Current Liabilities	53,106,000	34,600,000
Long-term Liabilities	21,082,000	22,324,000
Total Liabilities	74,188,000	56,924,000
Deferred Inflows of Resources	7,200,000	4,284,000
Net Position:		
Net Investment in Capital Assets	18,641,000	18,928,000
Unrestricted	(22,313,000)	(13,236,000)
Total Net Position	\$ (3,672,000)	\$ 5,692,000

Assets:

Total assets increased 20.6% to \$74.8 million in fiscal year 2025.

Current assets totaling \$37.6 million consisting of cash, accounts receivable, and prepaid items represent resources RBHA can utilize to pay current obligations. Total cash on hand was \$29.8 million, an increase of \$10.0 million from fiscal year 2024. The accounts receivable net balance increased 11.0% to \$4.1 million. The balance for prepaid items and other receivables was \$664,000, an increase of 12.6%.

The capital assets increased 17.3% to \$37.2 million including increases in required reporting of leases and SBITA, resurfacing a parking lot at the North Campus, updating North Campus kitchen equipment, improvements to the employee gym and various new fleet vehicles.

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

Liabilities:

Total liabilities increased by 30.3% to \$74.2 million. This is primarily due to increases in unearned revenue, compensated absences liability and liabilities related to leases and SBITA, but was offset by decreases in net pension liability and accrued payroll.

Current liabilities are obligations of RBHA consisting of accounts payable, accrued payroll and related liabilities, current portions of long-term liabilities and unearned revenue. Unearned revenue consists of funds received by RBHA for programs beginning or continuing in future periods or portions of funding received but not fully spent in the current period that will be rolled forward for use in future periods. Current liabilities increased 53.5% to \$53.1 million due to an increase in unearned revenue and employee compensated absences. Unearned revenue increased by \$17.6 million, or 75.6% over FY2024 and of that, \$12.6 million is directly related to funds for future periods received by RBHA late in the fiscal year. Another \$2.5 million of that increase is related to a change in guidance for rates charged for client service. Increases related to employee compensated absences are due to a change in accounting guidance as directed by Government Accounting Standards Board (GASB) Statement 101. GASB 101 required recording additional liabilities for employee leave and sick balance regardless of payout policies and increased the compensated absences by \$924,000, or 28.8%.

Long-term liabilities are obligations of RBHA consisting of net pension liability, post-retirement benefits, notes payable and lease and SBITA obligations. RBHA's long-term liabilities decreased by 5.6% to \$21.1 million. (Refer to Notes 7, 9, 11, 12 and 13 for details.)

Information regarding the results of our operation during the year is reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement shows how much overall net position increased or decreased during the year as a result of operations. A summary of RBHA's Statement of Revenues, Expenses, and Changes in Fund Net Position for fiscal year 2025 and 2024 is presented below (rounded to the nearest thousand):

	2025	2024
Operating revenues	\$ 25,442,000	\$ 24,308,000
Operating expenses	104,292,000	95,491,000
Operating loss	(78,850,000)	(71,184,000)
Net non-operating revenue	69,485,000	72,650,000
Change in net position	\$ (9,365,000)	1,466,000

Operating Revenue:

Operating revenue is defined as the amount of revenue received from providing patient (consumer) services. 97.7% of operating revenue is received from Medicaid or Managed Care Organizations (MCO) processing Medicaid funds as contracted by the Virginia Department of Medical Assistance Services (DMAS) and is down from 99.6% in FY2024.

Operating Expenses:

Operating expenses represent the direct expenses of operating RBHA. They consist of salaries and benefits, occupancy, payments to contracting agencies, depreciation, etc. Refer to the full Statement of Revenues, Expenses, and Changes in Net Position for a complete breakdown of these expenses. During fiscal year 2025, operating

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

expenses increased \$8.8 million or 9.2% due primarily to increased salaries and benefits expenses and contractual and professional services.

Non-operating Income:

Non-operating income represents income received as appropriations or grants. In fiscal year 2025, appropriations from the Commonwealth of Virginia represented 73.8% of the non-operating income and down from 74.6% in FY 2024. Grants from the federal government constituted 13.6%, down from 16.6% in the prior year, and local government appropriations and program funding were 10.8% of the total non-operating income, up from 7.7% last year.

Cash flows:

Our Statement of Cash Flows discloses the flow of cash resources into and out of RBHA during the year (from operations, contributions and other sources) and how we applied those funds (for example, payment of expenses, repayment of debt, purchases of new property, etc.). Condensed Statements of Cash Flows for fiscal year 2025 and 2024 are presented below:

	2025	2024
Cash flows used in operating activities	\$ (76,699,000)	\$ (66,470,000)
Cash flows provided by non-capital financing activities	89,704,000	65,920,000
Cash flows used in capital activities	(3,853,000)	(3,354,000)
Cash flows provided by investing activities	894,000	164,000
Net increase (decrease) in cash and cash equivalents	\$ 10,046,000	\$ (3,740,000)

Cash flows from operating activities:

Cash flows from operating activities consist of receipts from customers, payments to suppliers and payments to and from employees. Overall, the net cash flow used in operating activities increased by \$10.2 million.

Receipts from clients, insurers and Medicaid increased by 8.6% to \$25 million. Payments to suppliers decreased by 1.6% to \$30,368,000. Payments to and for employees increased by 21.7% to \$71.4 million.

Cash flows from non-capital financing activities:

Cash flows provided by non-capital financing activities are primarily government appropriations and grants. In fiscal year 2025, this activity increased by 36% to \$90 million.

Cash flows from capital activities:

Cash used in capital assets acquisition and development activities increased by \$499,000 to \$3.9 million due to payments on long-term debt.

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

Cash flows from investing activities:

RBHA's interest bearing bank account yielded interest income of \$894,000. The increase from fiscal year 2024 is over \$730,000 and a result of a new contract for banking and new rates on banking activities following a competitive bid process completed in late fiscal year 2024.

The overall net effect of these changes resulted in a cash increase of \$10.0 million in fiscal year 2025. RBHA ended fiscal year 2025 with a cash balance of \$29.8 million.

Operational Matters

The Authority ended fiscal year 2025 with a significant negative change in net position of \$9,364,548, resulting in an overall net position deficit of \$3,671,907 as of June 30, 2025. In response, management has initiated and continues to implement several corrective and strengthening actions aimed at improving financial performance, reporting accuracy, and organizational oversight. These actions include restructuring Reporting Units to clarify funding sources and identify available carryover balances; strengthening monthly financial reporting through an updated income statement format and enhanced reporting of cash collected from Managed Care Organizations (MCOs); ongoing monitoring of deferred revenue in collaboration with Chief Operating Officers; reinforcing spending controls through enhanced oversight by the Executive Leadership Team; and improving Medicaid billing and collections supported by a fully operational electronic health records (EHR) system.

Based on these corrective actions and the FY 2026 funding structure, management anticipates improved Medicaid billing performance, stronger monitoring of restricted and deferred funds, and a positive change in net position over time. While recovery will require sustained execution and oversight, management expects the negative net position to return to a positive balance within one to three years. The RBHA continues to budget for annual break-even operations, and management believes that the corrective actions underway will significantly reduce the likelihood of recurring operating losses.

Request for Information

Questions concerning any of the information in this report or requests for additional information should be addressed in writing to Bill Fellows, Director of Budget, Reporting and Analysis, Richmond Behavioral Health Authority, 107 S. Fifth Street, Richmond, Virginia 23219.



Basic Financial Statements

Richmond Behavioral Health Authority

Statement of Net Position

June 30, 2025

	<u>2025</u>	<u>(For Comparative Purposes Only) 2024</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 9,771,493	\$ 2,814,987
Cash and cash equivalents, restricted (Note 2)	20,073,757	16,984,130
Accounts receivable, net (Note 3)	4,132,427	3,723,242
Due from other governments (Note 4)	2,931,607	6,201,288
Prepaid expenses and other receivables	663,506	589,253
Total current assets	<u>37,572,790</u>	<u>30,312,900</u>
NONCURRENT ASSETS		
Capital assets, net (Note 5)	37,247,994	31,746,481
Total assets	<u>74,820,784</u>	<u>62,059,381</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Notes 11 and 12)	2,633,249	4,450,456
Deferred outflows related to other postemployment benefits (Note 13)	262,057	390,533
Total deferred outflows of resources	<u>2,895,306</u>	<u>4,840,989</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,803,677	1,664,570
Accrued payroll and related liabilities	3,574,725	4,424,667
Accrued interest	17,477	16,424
Unearned revenue (Notes 8 and 14)	40,806,762	23,244,085
Compensated absences	4,137,692	3,213,841
Current portion of long-term liabilities (Note 7)	2,765,803	2,036,521
Total current liabilities	<u>53,106,136</u>	<u>34,600,108</u>
LONG-TERM LIABILITIES		
Net pension liability (Note 11)	1,378,794	7,422,231
Net other postemployment benefits liability (Note 13)	4,087,472	4,119,798
Due in more than one year (Notes 7 and 9)	15,615,224	10,781,763
Total long-term liabilities	<u>21,081,490</u>	<u>22,323,792</u>
Total liabilities	<u>74,187,626</u>	<u>56,923,900</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 11)	5,710,702	3,146,092
Deferred inflows related to other postemployment benefits (Note 13)	1,489,669	1,137,737
Total deferred inflows of resources	<u>7,200,371</u>	<u>4,283,829</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	18,641,437	18,928,197
Unrestricted	(22,313,344)	(13,235,556)
Total net position (deficit)	<u><u>\$ (3,671,907)</u></u>	<u><u>\$ 5,692,641</u></u>

Richmond Behavioral Health Authority

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

	2025	(For Comparative Purposes Only) 2024
OPERATING REVENUES		
Net client service revenue (Note 15)	\$ 25,442,536	\$ 24,307,774
OPERATING EXPENSES		
Salaries and benefits	70,225,005	62,339,962
Client services	7,837,033	8,718,114
Contractual and professional services	12,499,582	11,182,545
Facility	3,615,392	4,678,801
Depreciation and amortization	3,860,343	3,056,550
Insurance and licenses	2,203,493	1,860,206
Supplies	1,741,014	1,855,514
Other	712,150	246,960
Staff development	841,480	852,414
Travel	469,116	447,816
Rentals	287,670	252,546
Total operating expenses	104,292,278	95,491,428
Operating loss	(78,849,742)	(71,183,654)
NONOPERATING REVENUES (EXPENSES)		
Commonwealth of Virginia grants	51,273,576	54,190,838
Federal grants	9,482,078	12,046,264
Contributions from the City of Richmond	7,480,577	5,621,598
Other income	635,208	715,932
Interest income	893,921	163,542
Interest expense	(280,166)	(88,301)
Net nonoperating revenues	69,485,194	72,649,873
Change in net position	(9,364,548)	1,466,219
NET POSITION (DEFICIT)		
Beginning at July 1	5,692,641	4,226,422
Ending at June 30	\$ (3,671,907)	\$ 5,692,641

Richmond Behavioral Health Authority

Statement of Cash Flows

Year Ended June 30, 2025

	2025	(For Comparative Purposes Only) 2024
OPERATING ACTIVITIES		
Receipts from clients, private insurers, Medicaid, and others	\$ 25,033,351	\$ 23,040,598
Payments to suppliers	(30,367,606)	(30,853,964)
Payments to and for employees	(71,364,634)	(58,656,375)
Net cash used in operating activities	<u>(76,698,889)</u>	<u>(66,469,741)</u>
NON-CAPITAL FINANCING ACTIVITIES		
Contributions from local, state, and federal governments	89,068,589	65,203,902
Other receipts	635,208	715,932
Net cash provided by non-capital financing activities	<u>89,703,797</u>	<u>65,919,834</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions from state government	(118,536)	(76,252)
Acquisition and development of capital assets	(203,501)	(1,201,144)
Principal paid on debt	(3,251,546)	(1,986,462)
Interest paid on debt	(279,113)	(89,696)
Net cash used in capital and related financing activities	<u>(3,852,696)</u>	<u>(3,353,554)</u>
INVESTING ACTIVITIES		
Interest received	893,921	163,542
Net increase (decrease) in cash and cash equivalents	<u>10,046,133</u>	<u>(3,739,919)</u>
CASH AND CASH EQUIVALENTS		
Beginning at July 1	19,799,117	23,539,036
Ending at June 30	<u>\$ 29,845,250</u>	<u>\$ 19,799,117</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 9,771,493	\$ 2,814,987
Cash and cash equivalents, restricted	20,073,757	16,984,130
	<u>\$ 29,845,250</u>	<u>\$ 19,799,117</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (78,849,742)	\$ (71,183,654)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	3,860,343	3,056,550
Pension expense net of employer contributions	(1,661,620)	(143,360)
Other postemployment benefits expense net of employer contributions	448,082	575,399
(Increase) decrease in:		
Accounts receivable	(409,185)	(1,500,937)
Prepaid expenses and other receivables	(74,253)	57,475
Increase (decrease) in:		
Accounts payable	(86,423)	(582,762)
Accrued payroll and related liabilities	(849,942)	2,453,050
Compensated absences	923,851	798,498
Net cash used in operating activities	<u>\$ (76,698,889)</u>	<u>\$ (66,469,741)</u>
SCHEDULE OF NON-CASH ACTIVITIES		
Capital assets obtained through lease liabilities and subscription-based informational technology arrangements, and accounts payable	<u>\$ 9,039,819</u>	<u>\$ 487,817</u>

Richmond Behavioral Health Authority

Statement of Fiduciary Net Position

June 30, 2025

	<u>Custodial Funds</u> <u>Non-Regional Funds Held for Others</u>
ASSETS	
Cash and cash equivalents, restricted (Note 2)	<u>\$ 5,446,729</u>
NET POSITION	
Restricted for benefit of others	<u>\$ 5,446,729</u>

Richmond Behavioral Health Authority
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2025

	Custodial Funds
	Non-Regional Funds Held for Others
ADDITIONS	
Amount recognized from the Department of Behavioral Health and Developmental Services	\$ 454,346
DEDUCTIONS	
Payments to vendors	592,537
Payments to others	56,477
Total deductions	649,014
Net decrease in fiduciary net position	(194,668)
NET POSITION – AT JULY 1	5,641,397
NET POSITION – AT JUNE 30	\$ 5,446,729

Richmond Behavioral Health Authority

Notes to Financial Statements

June 30, 2025

Note 1 – Summary of Significant Accounting Policies

Organization and Purpose

The Richmond Behavioral Health Authority (the “Authority”) was created on July 1, 1996, to provide behavioral health services to residents of the City of Richmond, Virginia (the “City”) under applicable sections of the *Code of Virginia*. The Authority provides treatment for community mental health disorders, developmental disabilities, and substance use disorders with a system of services that relate to, and are integrated with, existing and planned programs. Substantially all of the Authority’s funding is from service fees, the Commonwealth of Virginia, the Federal Government, and the City.

Reporting Entity

The Authority’s Board of Directors is appointed by the Richmond City Council. The City provides funding to the Authority that satisfies matching requirements for state grant funding and deems the Authority to be a component unit.

Measurement Focus and Basis of Accounting

The Authority is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board (GASB). The Authority’s financial statements consist of a single enterprise fund and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the related cash flows.

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

The Authority also serves as the fiscal agent for certain programs administered by the Department of Behavioral Health and Developmental Services (DBHDS). These funds are custodial funds that do not involve the measurement of results of operations. Funds received and expended under the direction of the DBHDS are included in the accompanying statement of fiduciary net position and statement of changes in fiduciary net position. Custodial funds use the economic resources measurement focus and the accrual basis of accounting.

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. Actual results (including the ultimate collectability of receivables as discussed below) could differ from those estimates.

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

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Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, checking and savings accounts, and short-term, highly liquid investments (including repurchase agreements) with original maturities of three months or less from the date of acquisition.

Accounts Receivable

The Authority internally records and monitors differences between its full established rates and contractual rates. However, at the time of service only estimated realizable amounts are recorded as net client service revenue and as accounts receivable. The estimated realizable amounts include reductions for discounts based on contractual agreements with Medicaid and insurers as well as discounts based on the client's ability to pay. Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Retroactive adjustments are reported in operations in the year of settlement.

The Authority's current practice is to charge off all self-pay accounts over 120 days past due. Management has established an allowance for uncollectable accounts based on historical collection data and the aging of accounts receivable.

Capital Assets

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

Leasehold improvements	7-20 years
Furniture and equipment	3-10 years
Motor vehicles	5 years
Computers	3-5 years
Right-of-use leased assets	2-3 years
Subscription right-to-use assets	9 years

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

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

Unearned Revenue

Unearned revenues consist of amounts which have been received, but for which revenue recognition criteria have not been met. Revenues will be recognized when expenses are incurred in accordance with the grantor's requirements. If such expenses are not incurred, the funds may revert back to the grantor.

Compensated Absences

The Authority's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service subject to certain maximum accumulation amounts. All employees earn the same sick pay rate

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regardless of the length of service. Sick pay does not vest, is not paid out upon separation, and is not recorded as a liability. Accumulated annual leave up to the maximum limit is paid out upon separation and is recorded as a liability. Because of the timing of the use of the benefit is not estimable, all of the liability has been classified as current.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. These items represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Authority has three items that qualify for reporting in this category. The first item is pension contributions subsequent to the measurement date for the net pension liability; this will be applied to the net pension liability in the next fiscal year. The other two are pension related deferrals and other postemployment benefit plan related deferrals.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. These items represent an acquisition of net assets applicable to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Authority has two types of items that qualify for reporting in this category. Those are pension related deferrals and other postemployment benefit plan related deferrals. See Notes 11, 12, and 13 for additional pension and other postemployment benefit plan details.

Financial Assistance

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

Leases

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

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

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Right-of-Use Lease Asset and Related Lease Liability

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt in the statement of net position. See Notes 5 and 7 for additional information.

Subscription-Based Information Technology Arrangements (SBITA)

The Authority has a SBITA for its electronic health record (Netsmart). The Authority uses its estimated incremental borrowing rate as the discount rate since the subscription arrangement does not explicitly state an interest rate. The subscription has quarterly payments that range from \$184,683 to \$233,951 and an interest rate of 2.87%. The value of the right-to-use subscription asset and related accumulated amortization as of year-end is disclosed in Note 5. The related liability as well as principal and interest requirements to maturity are disclosed in Note 7.

Change in Accounting Principle

During 2025, the Authority adopted GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 101 established new guidance by updating the recognition and measurement for compensated absences. A liability should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. As stated in GASB Statement No. 100, *Accounting Changes and Error Corrections*, a change in accounting principle should be reported retroactively by restating beginning net position for the cumulative effect of the change of the newly adopted accounting principle on prior periods. The Authority determined the cumulative effect on beginning net position was minimal and, therefore, no restatement of the prior year net position was necessary.

Note 2 – Deposits and Investments

Deposits

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

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Cash and cash equivalents, which include fiduciary funds consist of the following:

Petty cash	\$	1,075
Demand deposits		35,290,904
	\$	35,291,979

Reconciliation of cash and cash equivalents to the statement of net position and statement of fiduciary net position:

	Statement of Net Position	Statement of Fiduciary Net Position	Total
Cash and cash equivalents	\$ 9,771,493	\$ -	\$ 9,771,493
Cash and cash equivalents, restricted	20,073,757	5,446,729	25,520,486
	\$ 29,845,250	\$ 5,446,729	\$ 35,291,979

Restricted cash consists of \$20,073,757 for regional funds and \$5,446,729 for non-regional funds held for others. See additional discussion on regional funds in Note 8.

Note 3 – Accounts Receivable

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	\$	2,289,601
Direct client, third-party, and other		1,964,611
		4,254,212
Allowance for uncollectible accounts		(121,785)
	\$	4,132,427

Note 4 – Due From Other Governments

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

City of Richmond	\$	507,532
Commonwealth of Virginia		1,570,338
Federal government		853,737
	\$	2,931,607

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Note 5 – Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable				
Land	\$ 1,378,964	\$ -	\$ -	\$ 1,378,964
Capital assets, nondepreciable	1,378,964	-	-	1,378,964
Capital assets, depreciated				
Buildings	20,141,611	251,609	-	20,393,220
Furniture and equipment	1,121,948	23,679	-	1,145,627
Computers	3,153,117	12,811	-	3,165,928
Vehicles	3,618,906	245,775	(118,891)	3,745,790
Regional vehicles	321,871	-	-	321,871
Leasehold improvements	4,065,810	13,693	-	4,079,503
Capital assets, depreciable	32,423,263	547,567	(118,891)	32,851,939
Less accumulated depreciation for:				
Buildings	(2,725,425)	(528,478)	-	(3,253,903)
Furniture and equipment	(819,109)	(107,898)	-	(927,007)
Computers	(2,800,813)	(81,851)	-	(2,882,664)
Vehicles	(2,409,340)	(399,925)	118,891	(2,690,374)
Regional vehicles	(321,871)	-	-	(321,871)
Leasehold improvements	(2,808,419)	(105,905)	-	(2,914,324)
Total accumulated depreciation	(11,884,977)	(1,224,057)	118,891	(12,990,143)
Capital assets depreciable, net	20,538,286	(676,490)	-	19,861,796
Right-of-use leased assets				
Buildings and parking	14,649,313	1,776,699	-	16,426,012
Equipment	462,768	-	(157,298)	305,470
Less accumulated amortization	(5,282,850)	(2,094,933)	157,298	(7,220,485)
Total leased assets, net	9,829,231	(318,234)	-	9,510,997
Subscription right-to-use assets	-	7,037,590	-	7,037,590
Less accumulated amortization	-	(541,353)	-	(541,353)
Total subscription assets, net	-	6,496,237	-	6,496,237
Total capital assets, net	\$ 31,746,481	\$ 5,501,513	\$ -	\$ 37,247,994

Note 6 – Line of Credit

The Authority has a \$5,000,000 bank line of credit that was unsecured, payable on demand, and bore interest at SOFR plus 2.35% at June 30, 2025. This is an open end revolving line of credit. The Authority had no outstanding balance at June 30, 2025.

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Note 7 – Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Lease liabilities	\$ 10,412,037	\$ 1,797,381	\$ 1,891,897	\$ 10,317,521	\$ 1,952,225
Subscription liabilities	-	6,293,081	442,165	5,850,916	604,703
Note from direct borrowing	2,406,247	-	193,657	2,212,590	208,875
	\$ 12,818,284	\$ 8,090,462	\$ 2,527,719	\$ 18,381,027	\$ 2,765,803

Annual debt service requirements are as follows:

Fiscal Year	Lease Liabilities		Note from Direct Borrowing	
	Principal	Interest	Principal	Interest
2026	\$ 1,952,225	\$ 192,443	\$ 208,875	\$ 71,859
2027	2,051,453	153,418	208,750	64,892
2028	2,154,409	112,427	215,886	57,686
2029	2,186,791	69,605	223,342	50,230
2030	1,165,137	31,563	231,055	42,517
2031-2035	807,506	41,647	1,124,682	88,516
	\$ 10,317,521	\$ 601,103	\$ 2,212,590	\$ 375,700

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

	Subscription Liabilities	
	Principal	Interest
2026	\$ 604,703	\$ 161,900
2027	645,533	144,067
2028	688,249	125,040
2029	732,924	104,763
2030	779,639	83,178
2031-2033	2,399,868	106,052
	\$ 5,850,916	\$ 725,000

The note payable of \$3,200,000 was issued on December 3, 2019 to finance the purchase of a building, maturing in various annual installments through December 3, 2034 with an interest rate at 3.40%. The note is secured by the Authority's deposits held by the bank.

Lease liability terms and other information is further disclosed at Note 9. Subscription liability terms and other information is further disclosed in Note 1.

Note 8 – Regional Funds – Unearned Revenue

The Authority serves as the fiscal agent for a Regional Program, which is administered by several community services boards, including the Authority, in a region established by the Commonwealth of Virginia (the "Commonwealth"). The Regional Program oversees a pool of Commonwealth funds, and directs the allocation of those funds to various community

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services boards within the region. The Regional Program has allocated certain of these funds, such as crisis stabilization, directly to the Authority to provide services on behalf of the region. The other programs include discharge assistance program (DAP), MH other regional, MH Permanent Housing acute care local inpatient purchase of services (LIPOS), MH crisis response and child psychology, MH STEP-VA, MH recovery, and other regional. The funds spent in the fiscal year are accounted for as revenues and expenses of the Authority. The funds unearned at June 30, 2024, received by the Authority and spent on behalf of the region during 2025 and the unearned balance at June 30, 2025 consisted of the following:

Unearned revenue	
DAP	\$ 2,562,558
Crisis stabilization	45,839
MH other regional	2,971,173
LIPOS	2,369,927
MH crisis response and child psychology	244,029
MH STEP-VA	7,373,282
MH permanent supporting housing	807,737
MH recovery	19,456
Other regional	590,129
Balance, June 30, 2024	<u><u>\$ 16,984,130</u></u>
Funds received	
DAP	\$ 5,832,972
Crisis stabilization	2,679,519
MH other regional	2,923,387
LIPOS	1,055,238
MH crisis response and child psychology	2,124,132
MH STEP-VA	5,631,841
MH recovery	995,280
Other regional	174,814
Total funds received	<u><u>\$ 21,417,183</u></u>
Funds spent	
DAP	\$ 3,299,210
Crisis stabilization	2,483,103
MH other regional	2,605,535
LIPOS	1,254,374
MH crisis response and child psychology	1,628,215
MH STEP-VA	5,678,366
MH permanent supporting housing	186,661
MH recovery	997,173
Other regional	194,919
Total funds spent	<u><u>\$ 18,327,556</u></u>
Unearned revenue	
DAP	\$ 5,096,320
Crisis stabilization	242,255
MH other regional	3,289,025
LIPOS	2,170,791
MH crisis response and child psychology	739,946
MH STEP-VA	7,326,757

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MH permanent supporting housing	621,076
MH recovery	17,563
Other regional	570,024
Balance, June 30, 2025	<u><u>\$ 20,073,757</u></u>

The \$18,327,556 of revenue recognized for funds spent on behalf of the region are included in Commonwealth of Virginia grants nonoperating revenue and the majority of expenses are included in salaries and benefits, contractual and professional services, and client services on the statement of revenues, expenses, and changes in fund net position. Of these funds spent on behalf of the region, \$4,366,669 was for services provided directly by the Authority, with the remaining spent on behalf of the remaining participating community services boards.

Note 9 – Leases

A summary of significant leases are as follows:

<u>Lease Description</u>	<u>Term</u>	<u>Asset Class</u>	<u>Interest Rate</u>	<u>Balance at June 30, 2025</u>
S. 5th Street Building	01/01/2020- 12/31/2029	Buildings and parking	1.843%	\$ 7,895,299
Marshall Center	01/01/2024- 12/31/2033	Buildings and parking	3.400%	1,738,357
4th and Canal parking	02/01/2020- 01/31/2029	Buildings and parking	1.767%	448,038
Copiers and other equipment	10/11/2019- 03/31/2029	Equipment	0.0751- 3.400%	235,827
				<u><u>\$ 10,317,521</u></u>

Short-Term Leases

The Authority leases equipment and housing for residential programs under lease terms which range from monthly to a year.

Rental expense related to short-term equipment leases for 2025 totaled \$287,670.

Rental expense for short-term residential housing and related programs totaled \$5,746,887 for 2025 and is included in client services on the statement of revenues, expenses, and changes in fund net position.

Note 10 – Commitments and Contingencies

Grants

The Authority operates programs that are typically funded by grants received from federal, state, or local sources. Expenditures financed by grants are subject to audit by the grantor. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor. The Authority believes that the likelihood of disallowance of expenditures and subsequent reimbursement is remote and would not have a material effect on the overall financial position of the Authority.

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Legal/Litigation

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

Note 11 – Defined Benefit Pension Plan - RRS

Plan Description

All full-time permanent employees of the Authority employed prior to July 1, 2006 are covered by a Defined Benefit Pension Plan administered by the RRS. The plan is a multiple-employer cost-sharing Defined Benefit Pension Plan. Members are vested after five years of creditable service. The plan is contributory for employees.

The Defined Benefit and Enhanced Defined Benefit Plans pay a monthly benefit at retirement based on the member's years of creditable service (up to a maximum of 35 years) and average final compensation. General employees participating in the Defined Benefit and Enhanced Defined Benefit Plans are required to pay contributions of 1.00% or 4.57% of their creditable compensation, respectively. The Defined Benefit Plan formula has a multiplier of 1.75% for general employees whereas the Enhanced Option has a multiplier of 2.00%. A member is eligible for normal retirement on their normal retirement date (age 65). Upon retirement, a member becomes eligible to receive an annual allowance payable in equal monthly installments. The Plan permits early retirement.

Employees with 30 years of service may retire at any age with unreduced benefits. Employees may retire at age 55 with 5 or more years of service; however, benefits will be reduced by 5/12th of 1.00% for each complete month or 5.00% per year by which retirement precedes the earlier of age 65 or the date on which the employee would have completed 30 years of service.

The benefit level is set by formula, regardless of the retirement fund's investment performance. Participating employers contribute an amount each year that varies according to the contribution rate as determined by the RRS's actuary. The participating employers' contributions are invested by outside investment firms with the primary objective of ensuring the security, stability, and continued growth of assets for members' future benefits.

The Code of the City requires that the Plan be maintained on an actuarially sound basis.

The City also offers a Defined Contribution 401(a) Plan as another retirement option. This plan is mandatory for general employees hired on or after July 1, 2006, and optional for senior executives and public safety officers. The RRS is the Trustee for this Plan and has contracted with an independent, not-for-profit financial services organization to administer the Plan. The City and the Authority contribute a percentage of an employee's creditable compensation, based on years of service, to a portable account for investment by the employee. This Plan is non-contributory for employees.

Vested members in the Defined Contribution 401(a) Plan who terminate employment are entitled to the account balance. The account balance of non-vested members who terminate employment is forfeited unless a member is reemployed with a participating employer before a five-year lapse and remains in service until vesting. Members of the Defined Contribution 401(a) Plan are eligible for disability retirement benefits under the RRS.

The RRS issues a separate comprehensive annual financial report on the Defined Contribution 401(a) Plan. A copy of the report may be obtained from the RRS's website at www.richmondgov.com/retirement.

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The Authority is required to annually contribute to the Defined Benefit Plans an amount as determined by the actuary (expressed as a percentage of payroll) equal to the sum of the “normal contribution” and the “accrued liability contribution.” The accrued liability contribution is determined as that amount necessary to amortize the unfunded actuarial accrued liability and any increase or decrease in the unfunded actuarial accrued liability in future years due to changes in actuarial assumptions, changes in the Plan provisions (including the granting of cost-of-living increases) or actuarial gains or losses amortized over a period of 20 years.

Net Pension Liability

The Authority’s net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2024, using updated actuarial assumptions, applied to all periods included in the measurement period.

Actuarial Method and Significant Assumptions

The July 1, 2024 valuation developed contribution rates for the fiscal year ended June 30, 2025, using the entry age actuarial cost method.

The amortization method used is a level dollar method over a closed period not to exceed 30 years. For purposes of determining contribution rates, the difference between actual investment earnings and expected investment earnings is recognized over a five-year period, with the restriction that the actuarial asset value cannot be less than 90% or greater than 110% of the market value of assets.

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

Contributions to the Defined Benefit Plans by the Authority were \$1,143,027 and \$1,384,701 for the years ended June 30, 2025 and 2024, respectively. The contribution rate was 81.28% for 2025. The Authority also contributed \$578,875 to the Defined Contribution Plans for 2025. The Authority’s contribution to the Defined Contribution Plans is 5.00% for employees with less than 5 years of service, 6.00% for employees with 5 to 9 years of service, 8.00% for employees with 10 to 14 years of service, and 10% for employees with 15 years or more of service.

At June 30, 2025, the Authority reported a liability of \$1,378,794 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority’s proportion of the net pension liability was based on the Authority’s actuarially determined employer contributions to the pension 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 Authority’s proportion was 0.71% as compared to 2.15% at June 30, 2023.

For the year ended June 30, 2025, the Authority recognized a pension expense of \$337,157. Since there was a change in proportionate share between June 30, 2023 and June 30, 2024, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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At June 30, 2025, the Authority 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
Other pension deferrals	\$ 1,102,004	\$ 5,710,702
Employer contributions subsequent to the measurement date	1,143,027	-
	<u>\$ 2,245,031</u>	<u>\$ 5,710,702</u>

The \$1,143,027 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other deferrals will be amortized against future pension expense.

Actuarial Assumptions

The total pension liability for the RRS Retirement Plan was based on an actuarial valuation as of July 1, 2024, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement date of June 30, 2025.

Inflation	2.50%
Salary increases, including inflation	3.00 – 5.00%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

There is no cost of living increase assumption and the assumption is that benefits will not increase after retirement.

Mortality rates

Pub-2010 Below Median Income Table for general employees.

The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2024.

Long-Term Expected Rate of Return

The long-term expected rate of return on RRS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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

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expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	June 30, 2024 10 Year Assumptions – Geometric Return
Broad U.S. Equities	24.00%	7.65%
International Equities	16.00	7.65
Diversifying Assets	6.00	6.05
Private Equities	9.00	8.75
Fixed Income	29.00	5.25
Private Debt	6.00	7.40
Real Estate (Core)	10.00	6.00
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the Authority using the discount rate of 7.00%, as well as what the Authority’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Authority’s proportionate share of retirement plan net pension liability	\$ 2,057,157	\$ 1,378,794	\$ 793,432

Pension Plan Fiduciary Net Position

Detailed information about the RRS Retirement Plan’s Fiduciary Net Position is available in the separately issued RRS 2024 Annual Financial Report. A copy of the 2024 RRS Annual Financial Report may be downloaded from the City website at <https://www.rva.gov/sites/default/files/2024-11/ACFR2024.pdf>.

Richmond Behavioral Health Authority

Notes to Financial Statements

June 30, 2025

Note 12 – Defined Benefit Pension Plan - VRS

Plan Description

The Authority joined the Virginia Retirement System in July 2024. All full-time, salaried permanent employees of the Richmond Behavioral Health Authority, (the “Political Subdivision”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (“VRS” or the “System”) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

- <https://www.varetire.org/retirement-plans/defined-benefit/plan1/>
- <https://www.varetire.org/retirement-plans/defined-benefit/plan2/>
- <https://www.varetire.org/retirement-plans/hybrid/>

Contributions

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

The Political Subdivision’s contractually required contribution rate for the year ended June 30, 2025 was 3.25% 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 Political Subdivision was \$388,218 for the year ended June 30, 2025.

Net Pension Liability, Pension Expense and Deferred Outflows of Resources Related to Pension

Until the first full year of participation has occurred, no actuarial studies specific to the Authority’s pension plan will be available, and as a result, the Authority has no net pension liability or pension expense to record for the year ended June 30, 2025. In addition, due to the lack of actuarial study, all disclosures concerning actuarial assumptions, expected rate of return on pension plan investments, and discount rate have been excluded. At June 30, 2025 the Authority reported \$388,218 as deferred outflows of resources related to pensions resulting from the Authority’s contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026.

Richmond Behavioral Health Authority

Notes to Financial Statements

June 30, 2025

Note 13 – Other Postemployment Benefits Liability – Local Plan

Plan Description

The Authority pays a portion of the cost of health related insurance benefits to all employees who retire from the Authority. The benefits are comprised of health related group insurance policies through which retirees, their spouses, and eligible unmarried dependents can obtain coverage. Once retirees reach age 65 or are eligible for Medicare they are not entitled to these benefits. The authority to establish and amend the benefit provisions of the plan rests with the Authority's Board. There is no publicly available report for the plan.

The Authority establishes the employer contribution rates and how the plan will be funded as part of the annual budget process. The Authority is on a pay-as-you-go basis and has not funded the plan, therefore there are no plan assets.

Employees Covered by Benefit Terms

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

	<u>Members</u>
Inactive employees or beneficiaries	
Currently receiving benefits	3
Active plan members	484
	<u>\$ 487</u>

Total OPEB Liability

The Authority's total OPEB liability of \$4,087,472 was measured as of June 30, 2025 and was determined based on an actuarial valuation performed as of June 30, 2023.

Actuarial Assumptions and Other Inputs

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

Inflation	2.25%
Healthcare cost trend rates	3.61-5.70%

Healthy Mortality rates: Pub-2010 Table for general employees, headcount-weighted, with mortality improvement according to scale MP-2019.

Disabled Mortality rates: Pub-2010 Table for disabled general employees, headcount-weighted.

All other decrements used in the 2025 valuation are based on the results of the experience study undertaken on behalf of the RRS for the five-year period ending June 30, 2018.

Changes in assumptions and other inputs reflects increasing the discount rate from 3.93% to 5.20%. There have been no other significant changes in benefit terms, assumptions, or other inputs.

Richmond Behavioral Health Authority

Notes to Financial Statements

June 30, 2025

Changes in the Total OPEB Liability

Balance at June 30, 2024	\$ 4,119,798
Changes for the year	
Service cost	590,199
Interest	181,560
Assumption or other input changes	(623,780)
Benefit payments	(180,305)
Net changes	(32,326)
Balance at June 30, 2025	\$ 4,087,472

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

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

	1.00% Decrease (4.20%)	Current Discount Rate (5.20%)	1.00% Increase (6.20%)
Total OPEB liability	\$ 4,509,641	\$ 4,087,472	\$ 3,709,860

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate range of 3.61-5.70%:

	1.00% Decrease	Current Healthcare Cost Trend Rates	1.00% Increase
Total OPEB liability	\$ 3,547,819	\$ 4,087,472	\$ 4,723,295

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

For the year ended June 30, 2025, the Authority recognized OPEB expense of \$628,386. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 924,332
Change in assumptions	262,057	565,337
	\$ 262,057	\$ 1,489,669

Richmond Behavioral Health Authority

Notes to Financial Statements

June 30, 2025

The Authority's amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Effect on OPEB Expense
2026	\$ (143,373)
2027	(199,086)
2028	(201,405)
2029	(202,498)
2030	(228,648)
Thereafter	(252,602)

Note 14 – Unearned Revenue

At June 30, 2025, unearned revenue consists of funding for the regional programs (as described in Note 8), permanent supportive housing, regional educational assessment crisis services habilitation (REACH) programs, and other supportive programs. Unearned revenue consists of:

Regional programs	\$ 20,073,757
Permanent supportive housing	5,517,347
REACH	3,826,373
Other supportive programs	3,694,645
Call center	2,610,027
Crisis Receiving Center	2,123,364
Step-VA	1,237,047
Crisis Stabilization Unit	1,724,202
	<u>\$ 40,806,762</u>

Note 15 – Net Client Service Revenue

Net client service revenues were from the following sources:

Medicaid and third-party insurers	\$ 24,875,226
Other	567,310
	<u>\$ 25,442,536</u>

Note 16 – Related Party Transactions

The City contributes local funds to support the provision of behavioral health services to City residents. The Authority also received pass-through federal and state grants from the City totaling \$675,323 in 2025. The Authority also participates in the City's retirement system and pays contributions to that plan as described in Note 11.

Note 17 – Risk Management

The Authority 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 disaster. The Authority participates in a self-insured liability plan sponsored

Richmond Behavioral Health Authority

Notes to Financial Statements

June 30, 2025

by the state of Virginia for local political subdivisions. The plan provides \$1,000,000 coverage against public official liability claims. The Authority participates in the Virginia Municipal Liability Pool for comprehensive property and casualty coverage, a general liability coverage (claims made), automobile coverage, and employer's liability. The Authority also is a member of the Virginia Municipal Group Self Insurance Association and obtains workers compensation coverage for Authority employees.

Certain other risks are covered by commercial insurance policies. Management believes the above-described coverage is sufficient to preclude any significant uninsured losses to the Authority. The Authority has had no settlements in excess of insurance coverages or significant reductions in coverage in each of the past three years. The Authority's primary risk of loss is anticipated to be limited to any deductibles not covered by the insurance arrangements.

The Authority is also insured under a commercial public official's policy in the amount of \$100,000 that indemnifies the insured against loss of money or property that might result from the fraudulent or dishonest acts of its employees.

The Authority carried commercial health insurance for employees for the year ended June 30, 2025. The Authority's self-insurance health program provides healthcare coverage for employees, retirees, and their dependents. Changes in the estimated claims payable for health insurance is as follows:

Beginning of year	\$	260,903
Incurred claims		3,629,957
Claim payments		(3,822,578)
End of year	\$	<u>68,282</u>

This balance is included in accrued payroll and related liabilities on the statement of net position.

Note 18 – New Accounting Standards

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

In September 2024, the GASB issued **Statement No. 104**, *Disclosure of Certain Capital Assets*. This statement requires certain information regarding capital assets to be presented by major class. Certain types of capital assets are to be disclosed separately in the capital assets note disclosures required by Statement No. 34. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

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

Note 19 – Operational Matters

In fiscal year 2025, the Authority experienced a significant negative change in net position of \$9,364,548 which created an overall net position deficit of \$3,671,907 at June 30, 2025. Management has implemented plans to recover this deficit which include restructuring reporting units to clarify funding sources and identify available carryover funding, strengthening monthly reporting through updated revenue and expense formatting to segregate restricted from unrestricted revenue and expenses, reinforcing spending controls through executive leadership oversight, and enhanced Medicaid billing and collections supported by a fully operational electronic health records system. Management anticipates returning to a positive net position within one to three fiscal years.



Required Supplementary Information

Richmond Behavioral Health Authority

Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability – RRS Retirement Plan

June 30, 2025

Plan Year Ended June 30,	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.71 %	\$ 1,378,794	\$ 1,496,574	92.13 %	80.90 %
2023	2.15	7,422,231	1,399,178	530.47	65.00
2022	2.82	9,593,273	1,915,971	500.70	64.50
2021	2.94	7,924,535	1,921,066	412.51	71.80
2020	1.97	7,682,966	2,039,026	376.80	59.20
2019	2.12	7,743,358	2,082,537	371.82	61.00
2018	2.20	6,726,712	2,230,268	301.61	65.10
2017	2.51	7,814,383	2,732,217	286.01	64.00
2016	2.81	9,550,833	2,851,310	334.96	60.30
2015	2.42	7,510,772	3,071,142	244.56	63.50

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the Authority's fiscal year.

Richmond Behavioral Health Authority
Required Supplementary Information
Schedule of Pension Contributions – RRS Retirement Plan
June 30, 2025

Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 1,143,027	\$ 1,143,027	\$ -	\$ 1,515,558	75.42 %
2024	1,384,701	1,384,701	-	1,496,574	92.52
2023	1,356,863	1,356,863	-	1,399,178	96.98
2022	1,667,788	1,667,788	-	1,915,971	87.05
2021	1,652,533	1,652,533	-	1,921,066	86.02
2020	1,090,640	1,090,640	-	2,039,026	53.49
2019	1,028,295	1,028,295	-	2,082,537	49.38
2018	1,024,564	1,024,564	-	2,230,268	45.94
2017	1,077,412	1,077,412	-	2,732,217	39.43
2016	1,268,797	1,268,797	-	2,851,310	44.50

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

Richmond Behavioral Health Authority

Required Supplementary Information

Schedule of Changes in Net OPEB Liability and Related Ratios – Local Plan

June 30, 2025

	Plan Year		
	2025	2024	2023
Total OPEB Liability			
Service cost	\$ 590,199	\$ 660,714	\$ 648,107
Interest on total OPEB liability	181,560	189,206	162,402
Difference between expected and actual experience	-	(1,141,192)	-
Changes in assumptions	(623,780)	(4,548)	(38,275)
Employer contributions	(180,305)	(214,765)	(162,715)
Net change in total OPEB liability	(32,326)	(510,585)	609,519
Total OPEB liability – beginning	4,119,798	4,630,383	4,020,864
Total OPEB liability – ending	4,087,472	4,119,798	4,630,383
Plan Fiduciary Net Position			
Contributions – employer	180,305	214,765	162,715
Benefit payments	(180,305)	(214,765)	(162,715)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position – beginning	-	-	-
Plan fiduciary net position – ending	-	-	-
Net OPEB liability – ending	\$ 4,087,472	\$ 4,119,798	\$ 4,630,383
Plan fiduciary net position as a percentage of total OPEB liability	0%	0%	0%
Covered payroll	\$ 51,636,370	\$ 50,376,946	\$ 38,596,135
Net OPEB liability as a percentage of covered payroll	8%	8%	12%

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

		Plan Year							
		2022	2021	2020	2019	2018			
\$	481,471	\$	458,649	\$	232,257	\$	207,958	\$	213,911
	80,743		72,471		86,537		85,146		74,255
	(89,511)		-		(186,260)		-		-
	350,136		20,043		571,442		91,300		(82,641)
	(117,168)		(113,129)		(134,100)		(137,294)		(105,091)
	705,671		438,034		569,876		247,110		100,434
	3,315,193		2,877,159		2,307,283		2,060,173		1,959,739
	4,020,864		3,315,193		2,877,159		2,307,283		2,060,173
	117,168		113,129		134,100		137,294		105,091
	(117,168)		(113,129)		(134,100)		(137,294)		(105,091)
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	\$ 4,020,864		\$ 3,315,193		\$ 2,877,159		\$ 2,307,283		\$ 2,060,173
	0%		0%		0%		0%		0%
	\$ 37,651,766		\$ 33,565,182		\$ 34,114,174		\$ 19,288,819		\$ 19,288,819
	11%		10%		8%		12%		11%

Richmond Behavioral Health Authority
Required Supplementary Information
Schedule of OPEB Contributions – Local Plan
June 30, 2025

Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 180,305	\$ 180,305	\$ -	\$ 51,636,370	0.35 %
2024	214,765	214,765	-	50,376,946	0.43
2023	162,715	162,715	-	38,596,135	0.42
2022	117,168	117,168	-	37,651,766	0.31
2021	113,129	113,129	-	33,565,182	0.34
2020	134,100	134,100	-	34,114,174	0.39
2019	137,294	137,294	-	19,288,819	0.71
2018	105,091	105,091	-	19,288,819	0.54

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

Richmond Behavioral Health Authority

Required Supplementary Information Schedule of Pension Contributions – Virginia Retirement System June 30, 2025

<u>Year Ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2025	\$ 388,218	\$ 388,218	\$ -	\$ 11,945,155	3.25

This schedule is intended to show information for 10 years. Since 2025 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

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

Richmond Behavioral Health Authority
Notes to Required Supplementary Information
June 30, 2025

Note 1 – Methods and Assumptions Used to Determine Contribution Rates – Richmond Retirement System

Valuation date:

Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Effective 7/1/2024, level dollar amount over a closed period not to exceed 30 years for all employee groups. Prior to 7/1/2024 it was level percent of pay over a closed period not to exceed 30 years for police and fire employees; level dollar amount over a closed period not to exceed 30 years for general members.
Remaining amortization period	Unfunded liability amortized over 12 years as of July 1, 2019 with 7 years remaining as of July 1, 2024. Other new bases are amortized over 20 years. Effective 7/1/2024 the pension obligation bond proceeds were used to reduce the remaining 7/1/2019 unfunded liability bases over 7 years.
Asset valuation method	Five-year spread of actual over expected investment earnings with the restriction that the resulting value must be within 90%-110% of market value.
Inflation	2.50%
Salary increases – general employees	3.00% to 5.00%
Investment rate of return	7.00%
Retirement age – general employees	20% in 1st year of unreduced retirement eligibility; 6% at age 55 increasing to 100% at age 75.
Retirement age – police and fire employees	45% up to age 50, 40% after age 51 in 1st year of unreduced retirement eligibility; 10% at age 50 increasing to 100% at age 65.
Mortality – general employees	Pub-2010 Below Median Income Table for General Employees
Mortality – police and fire employees	Pub-2010 Below Median Income Table for Safety Employees



Compliance Section



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

To the Board of Directors
Richmond Behavioral Health Authority
Richmond, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Richmond Behavioral Health Authority (the "Authority"), a component unit of the City of Richmond, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 7, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’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 Authority’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
January 7, 2026

Richmond Behavioral Health Authority

Summary of Compliance Matters

June 30, 2025

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

State Compliance Matters

Code of Virginia

Cash and Investment Laws

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act