

EASTERN SHORE COMMUNITY SERVICES BOARD

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

**EASTERN SHORE
COMMUNITY SERVICES BOARD**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR
ENDED JUNE 30, 2022**

THIS PAGE LEFT BLANK INTENTIONALLY

EASTERN SHORE COMMUNITY SERVICES BOARD

BOARD OFFICIALS

BOARD OF DIRECTORS

Mr. Eve Belote - Chairperson
Mr. Andre Elliot - Vice Chairperson
Ms. Kim Wilkerson - Secretary
Mr. Robert Bloxom - Treasurer
Mr. Richard L. Hubbard

Mr. Richard Freeman
Ms. Janice Langley
Ms. Peggy Shaeffer
Ms. Gina Bowden Williams

LEADERSHIP TEAM

Lisa B. Sedjat
Sharon S. Jones
Kathleen O'Keefe
Damien Greene
Kelly Hill Bulin

Molly Walker

Executive Director
Director of Finance & Administration
Developmental Services Program Director
IT Director
Director of Program Development,
Planning and Prevention
Clinical Director of Mental Health and
Quality Improvement

THIS PAGE LEFT BLANK INTENTIONALLY

Table of Contents

Introductory Section:	<u>Page</u>
Title Page	i
Table of Contents	ii
Board Officials	iii
Organizational Chart	iv
 Financial Section:	
Independent Auditors' Report	1-4
Management's Discussion and Analysis	5-7
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11-39
 Required Supplementary Information:	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	40-41
Schedule of Employer Contributions - Pension Plan	42
Notes to Required Supplementary Information - Pension Plan	43
Schedule of Board's Share of Net OPEB Liability - Group Life Insurance (GLI) Plan	44
Schedule of Employer Contributions - Group Life Insurance (GLI) Plan	45
Notes to Required Supplementary Information - Group Life Insurance (GLI) Plan	46
 Other Supplementary Information:	
 Combining Financial Statements	
Combining Statement of Net Position	47
Combining Statement of Revenues, Expenses and Changes in Net Position	48
Combining Statement of Cash Flows	49
 Compliance:	
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 <i>Government Auditing Standards</i>	50-51
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	52-54
Schedule of Expenditures of Federal Awards	55
Notes to Schedule of Expenditures of Federal Awards	56
Schedule of Findings and Questioned Costs	57-58

THIS PAGE LEFT BLANK INTENTIONALLY

EASTERN SHORE COMMUNITY SERVICES BOARD

BOARD OFFICIALS

BOARD OF DIRECTORS

Mr. Eve Belote - Chairperson
Mr. Andre Elliot - Vice Chairperson
Ms. Kim Wilkerson - Secretary
Mr. Robert Bloxom - Treasurer
Mr. Richard L. Hubbard

Mr. Richard Freeman
Ms. Janice Langley
Ms. Peggy Shaeffer
Ms. Gina Bowden Williams

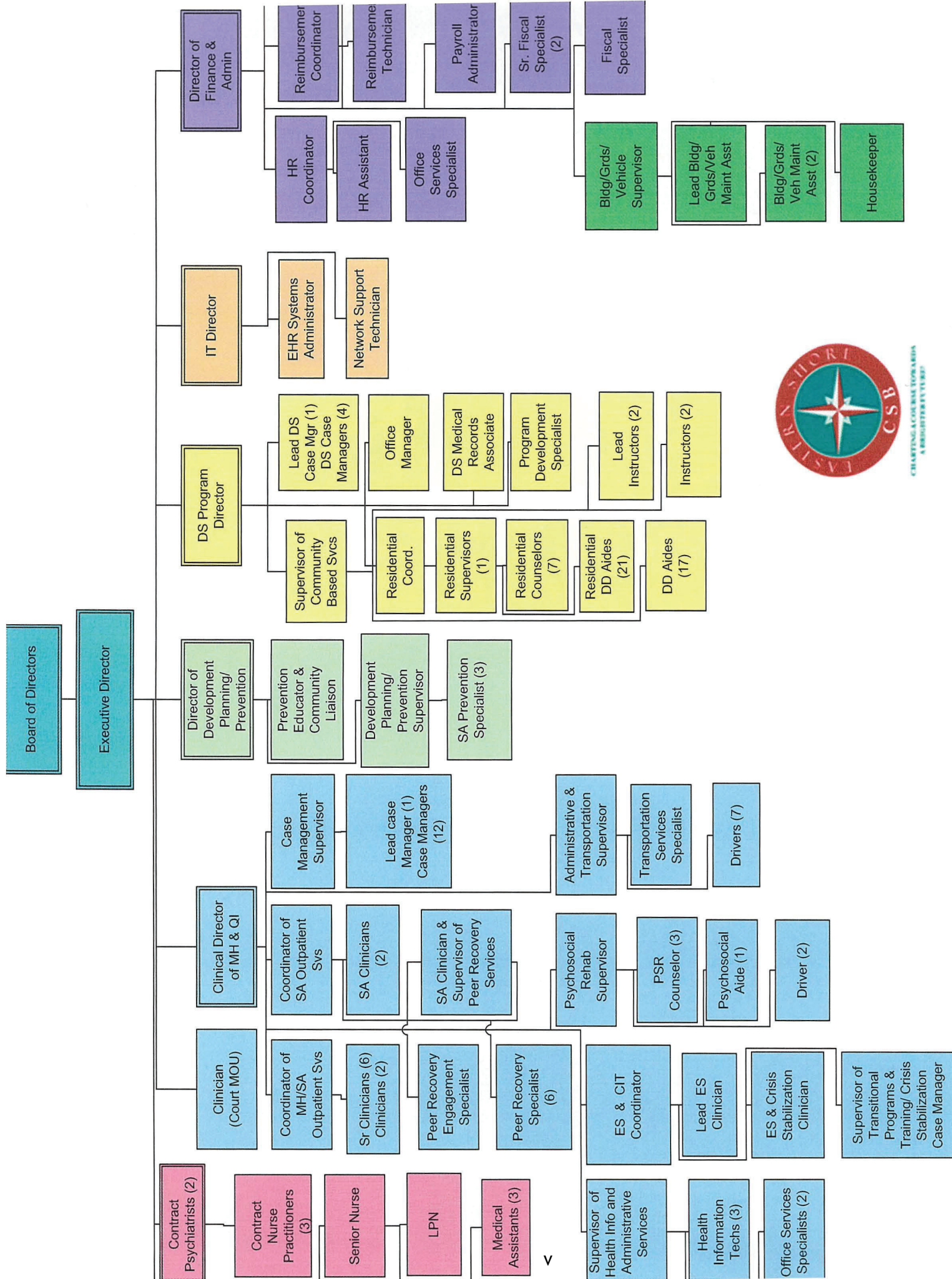
LEADERSHIP TEAM

Lisa B. Sedjat
Sharon S. Jones
Kathleen O'Keefe
Damien Greene
Kelly Hill Bulin

Molly Walker

Executive Director
Director of Finance & Administration
Developmental Services Program Director
IT Director
Director of Program Development,
Planning and Prevention
Clinical Director of Mental Health and
Quality Improvement

THIS PAGE LEFT BLANK INTENTIONALLY



THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

**TO THE BOARD OF DIRECTORS
EASTERN SHORE COMMUNITY SERVICES BOARD
NASSAWADOX, VIRGINIA**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Eastern Shore Community Services Board, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Eastern Shore Community Services Board, as of June 30, 2022, 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 Eastern Shore 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 12 to the financial statements, in 2022, the Board adopted new accounting guidance, GASB Statement No. 87, *Leases*. 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 the 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 Eastern Shore 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 Eastern Shore 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 Eastern Shore 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 the management's discussion and analysis and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2022, on our consideration of Eastern Shore 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 Eastern Shore 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 Eastern Shore Community Services Board's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. Frick", followed by a long horizontal line.

Richmond, Virginia
November 25, 2022

EASTERN SHORE COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2022

This section is intended to provide an overview of the financial activity of the Board and as such should be read in conjunction with the accompanying financial statements.

Summary of Organization and Business

The Eastern Shore Community Services Board (the Board) is a political subdivision of the Commonwealth of Virginia formed in 1971 by the Boards of Supervisors of Accomack and Northampton Counties. The Board's mission is to act as the agent of the two counties in providing community mental health, developmental disabilities, and substance abuse services in accordance with Chapter 5, Title 37.2-500 -512 of the Code of Virginia.

Operations of the Board are funded by state, federal and local funds, as well as client fees. For the year ended June 30, 2022, the Board received state, federal, and local funds in the amounts of \$4,209,105, \$1,480,551, and \$281,366, respectively. As of June 30, 2022, the Board had approximately 130 employees providing mental health, developmental services, substance use disorder (SUD), prevention, residential and administrative support services in 8 facilities. During 2022, total consumers served included 1,815 in Mental Health, 318 in SUD and 171 in Developmental Services and 1,180 in Limited Services which includes but is not limited to Emergency Services. Our Prevention efforts served 687 individuals through its various initiatives.

HIGHLIGHTS

Financial Highlights for FY 2022

- Cash and investments increased \$1.5 million.
- Net position increased \$652 thousand.
- Operating revenues decreased \$88 thousand.
- Operating expenses increased \$47 thousand.

OVERVIEW OF ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the financial condition and performance of the Board. The financial statements of the Board are presented using the accrual method of accounting.

The financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Net Position presents the financial position of the Board on an accrual basis, including information about the type and amount of resources and obligations, at June 30, 2022. The Statement of Revenues, Expenses, and Changes in Net Position presents the results of the Board's operating and non-operating activities and provides information about changes in net position during the year. The Statement of Cash Flows presents changes in cash and cash equivalents, as a result of operational and financing activities.

The Notes to the Financial Statements provide required disclosures and other pertinent information necessary to provide a reader of the financial statements a complete understanding of the data being presented. The notes are comprised of information about the Board's accounting policies, significant account balances, obligations, commitments, contingencies, and subsequent events. It is important to note that the FY2022 Financial Statements are combined with MENDISADD, Inc.

CONDENSED FINANCIAL INFORMATION

The following schedule reflects the condensed Statement of Net Position for the current and prior year.

	<u>2022</u>	<u>2021</u>
Current Assets	\$ 6,877,583	\$ 5,126,973
Noncurrent Assets	871,829	-
Property and Equipment, less Accumulated Depreciation	<u>2,874,627</u>	<u>3,007,645</u>
TOTAL ASSETS	<u>\$ 10,624,039</u>	<u>\$ 8,134,618</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 803,486</u>	<u>\$ 1,162,874</u>
Current Liabilities	\$ 2,350,818	\$ 1,037,566
Net OPEB Liability	281,055	431,728
Long-Term Liabilities	850,771	875,089
Net Pension Liability	<u>-</u>	<u>2,399,927</u>
TOTAL LIABILITIES	<u>\$ 3,482,644</u>	<u>\$ 4,744,310</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,853,924</u>	<u>\$ 114,183</u>
Net Position:		
Net Investment in Capital Assets	\$ 2,478,979	\$ 2,632,218
Unrestricted	<u>2,611,978</u>	<u>1,806,781</u>
TOTAL NET POSITION	<u>\$ 5,090,957</u>	<u>\$ 4,438,999</u>

The following schedule reflects the revenues and expenses for the current and prior year.

	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 5,840,948	\$ 5,929,497
Operating Expenses	<u>(11,197,489)</u>	<u>(11,150,425)</u>
Operating Income (Loss)	(5,356,541)	(5,220,928)
Nonoperating Income	<u>6,008,499</u>	<u>6,248,084</u>
Change in Net Position	<u>651,958</u>	<u>1,027,156</u>

OVERALL FINANCIAL ANALYSIS

In general, the financial condition of the Board remains strong. The Statement of Net Position also shows 180% more total assets and deferred outflows of resources than total liabilities and deferred inflows of resources, a decrease of 10% over the prior year.

The Board continues to monitor ways in which new revenues can be generated while prudently managing expenses. Several new funding sources have provided opportunities to provide additional services. Programs facilitated in group settings have been recovering due to the decline in COVID-19 related issues. Other services are currently being conducted in person, but telehealth continues to be a viable option to in person treatment. Recruitment and retention of qualified individuals continues to present significant issues due to managed care and other private care organizations. Staffing issues have caused the number of our facilities providing services to decrease from last year. The Board remains responsive to this issue as well as other evolving conditions and is exploring options to mitigate staffing concerns.

CONTACTING THE BOARD

This financial report is designed to provide an overview of the financial results of the Board's activities, and to demonstrate the Board's accountability for its revenues. If there are any questions about this report or any financial issue regarding the Board, please contact the Director of Finance and Administration, P.O. Box 318, Tasley, VA 23441.

THIS PAGE LEFT BLANK INTENTIONALLY

EASTERN SHORE COMMUNITY SERVICES BOARD

Statement of Net Position

As of June 30, 2022

Current Assets:	
Cash and cash equivalents	\$ 5,680,352
Client receivables (net of allowance for uncollectible accounts)	871,727
Grant receivable	137,663
Interest receivable	153
Leases receivable, current portion	17,967
Prepaid items	169,721
Total current assets	\$ 6,877,583
Noncurrent Assets:	
Long-term leases receivable, less current portion	\$ 101,475
Net pension asset	770,354
Total noncurrent assets	\$ 871,829
Capital Assets:	
Land	\$ 606,853
Property and equipment, less accumulated depreciation	2,267,774
Total capital assets	\$ 2,874,627
Total assets	\$ 10,624,039
Deferred Outflows of Resources:	
Pension related items	\$ 726,272
OPEB related items	77,214
Total deferred outflows of resources	\$ 803,486
Current Liabilities:	
Accounts payable	\$ 121,913
Accrued expenses	526,777
Unearned revenues	1,553,745
Accrued interest	28
Current portion of compensated absences	60,348
Current portion of note payable	43,886
Current portion of lease liabilities	44,121
Total current liabilities	\$ 2,350,818
Long-Term Liabilities:	
Compensated absences, less current portion	\$ 543,130
Notes payable, less current portion	289,779
Lease liabilities, less current portion	17,862
Net OPEB liability	281,055
Total long-term liabilities	\$ 1,131,826
Total liabilities	\$ 3,482,644
Deferred Inflows of Resources:	
Pension related items	\$ 2,581,982
OPEB related items	134,729
Lease related items	137,213
Total deferred inflows of resources	\$ 2,853,924
Net Position:	
Net investment in capital assets	\$ 2,478,979
Unrestricted	2,611,978
Total net position	\$ 5,090,957

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

EASTERN SHORE COMMUNITY SERVICES BOARD

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2022

Operating revenues:	
Patient service fees	\$ <u>5,840,948</u>
Operating expenses:	
Personnel	\$ 7,819,613
Staff development	49,239
Facility charges	739,739
Travel	17,746
Consultants and other professional services	1,470,875
Other charges	767,249
Depreciation	333,028
Total operating expenses	\$ <u>11,197,489</u>
Operating income (loss)	\$ <u>(5,356,541)</u>
Nonoperating revenues (expenses):	
Commonwealth of Virginia, including pass-through grants of \$1,482,228 from the federal government	\$ 5,342,947
Direct federal	256,709
Local governments	281,366
Other agencies	110,227
Rental income	5,416
Sale of property	20,850
Interest income	7,485
Interest expense	<u>(16,501)</u>
Total nonoperating revenues (expenses)	\$ <u>6,008,499</u>
Change in net position	\$ 651,958
Net position at beginning of year	<u>4,438,999</u>
Net position at end of year	\$ <u><u>5,090,957</u></u>

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

EASTERN SHORE COMMUNITY SERVICES BOARD

Statement of Cash Flows
Year Ended June 30, 2022

Cash flows from operating activities:	
Receipts from clients' fees and other providers	\$ 7,021,620
Payments to suppliers	(2,987,567)
Payments to and for employees	(8,244,017)
Net cash provided by (used for) operating activities	\$ (4,209,964)
Cash flows from noncapital and related financing activities:	
Government and other agencies	\$ 5,853,586
Rent of property	23,187
Sale of property	20,850
Net cash provided by (used for) noncapital and related financing activities	\$ 5,897,623
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (82,860)
Lease activities	(55,166)
Principal payments on notes payable	(41,762)
Interest paid on leases and notes payable	(16,473)
Net cash provided by (used for) capital and related financing activities	\$ (196,261)
Cash flows from investing activities:	
Interest received	\$ 7,332
Net increase (decrease) in cash and cash equivalents	\$ 1,498,730
Cash and cash equivalents, beginning of year	4,181,622
Cash and cash equivalents, end of year	\$ 5,680,352
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (5,356,541)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	333,028
Changes in assets, liabilities, and deferred inflows/outflows of resources:	
(Increase)/decrease in accounts receivable	(76,233)
(Increase)/decrease in prepaid items	(120,128)
(Increase)/decrease in due to (from) HUD	(30,994)
(Increase)/decrease in due from local government	100,263
(Increase)/decrease in deferred outflows of resources	359,388
(Increase)/decrease in net pension asset	(770,354)
Increase/(decrease) in compensated absences	1,619
Increase/(decrease) in accounts payable	(157,947)
Increase/(decrease) in unearned revenues	1,156,642
Increase/(decrease) in net pension liability	(2,399,927)
Increase/(decrease) in net OPEB liability	(150,673)
Increase/(decrease) in deferred inflows of resources	2,602,528
Increase/(decrease) in other accrued expenses	299,365
Net cash provided by (used for) operating activities	\$ (4,209,964)

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

THIS PAGE LEFT BLANK INTENTIONALLY

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description and Purpose of Agency

The Board operates as an agent for the Counties of Accomack and Northampton in the establishment and operation of community mental health, intellectual and developmental disabilities, and substance abuse programs as provided for in Chapter 5, Title 37.2-500-512 of the Code of Virginia (1950), as amended, relating to the Virginia Department of Behavioral Health and Developmental Services. The Board provides a system of community mental health, intellectual and development disabilities, and substance abuse services which are developed in and meet the needs of the participating localities.

B. Financial Reporting Entity

For financial reporting purposes, the Board includes all organizations for which it is considered financially accountable. The component unit included in these financial statements has a year end of June 30.

C. Individual Component Unit Disclosures

Blended Component Units - The Board has the following blended component unit:

Mendisadd, Inc. has been included as part of the reporting entity. This entity is a not-for-profit organization exempt from taxation under section 501(c)(2) of the Internal Revenue Code. The primary purpose of Mendisadd, Inc. is to purchase real property and to lease such property to the Board.

Discretely Presented Component Units - The Board has no discretely presented component units.

D. Measurement Focus and Basis of Accounting

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's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when incurred, regardless of when the related cash flow takes place.

E. Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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. Accordingly, actual results could differ from those estimates.

G. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of this statement of cash flows, the Board's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

H. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

I. Net Client Service Revenue

Net client service revenue is reported at the estimated net realizable amounts from residents, third-party payers, and others for services rendered. 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 Board bills and collects fees for services from its clients. At June 30, 2022, the Board was due \$1,322,610 in client receivables which was made up primarily of Medicaid funds. When applicable, the Board calculates its allowance for uncollectible accounts using specific account analysis. The allowance at June 30, 2022 was \$450,883.

J. Financial Assistance

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

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the financial statements. Capital assets, except for infrastructure assets, are defined by the Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

As the Board constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, and infrastructure of the Board, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-25
Leasehold Improvements	7-29
Office Furniture and Equipment	5-15
Computer Equipment	5
Software	3-7
Vehicles	3-10
Leased Equipment	2
Leased Vehicles	3

L. Leases

The Board leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

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

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Leases (Continued)

Lessor

The Board recognizes leases receivable and deferred inflows of resources in the financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimates and Judgments

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

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

The Board monitors changes in circumstances that would require a remeasurement or modification of its leases. The Board will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

M. 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.

N. Compensated Absences

The Board's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of services.

Employees terminating their employment are paid by the Board their accumulated annual leave up to the maximum limit. Unused sick leave is paid at the date of separation based on length of service.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences (Continued)

The amount of annual and sick leave recognized as expense is the amount earned during the year. The balance at June 30, 2022 was \$603,478.

O. Budgetary Accounting

The Board follows these procedures in establishing its budgets:

1. In response to Letters of Notification received from the Department of Mental Health, Mental Retardation and Substance Abuse Services (the Department), the Board submits a Performance Contract to the Department. This application contains budgets for core services.
2. The Board's Performance Reports are filed with the Department during the fiscal year, 45 working days after the end of the second quarter. The final quarterly report is due by August 31 (unless extended), following the end of the fiscal year.
3. If any changes are made during the fiscal year in state or federal block grants, or local match funds, the Board submits Performance Contract revisions that reflect these changes in time to be received by required deadlines.

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

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one type of item that qualifies for reporting in this category. Certain items related to pension, OPEB, and leases. For more detailed information on these items, reference the related notes.

Q. 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 the benefit terms. Investments are reported at fair value.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) **As of June 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Other Postemployment Benefits (OPEB)

For purposes of measuring the net GLI related OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS 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.

S. Net Position

For the Board, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. 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 amortization 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.

Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g. restricted bond or 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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

When an Organization has over \$250,000 in any one bank, the deposits in excess of \$250,000 are not covered by the Federal Deposit Insurance Corporation (FDIC) and, accordingly, are exposed to custodial credit risk because they are uncollateralized.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor government's name. At June 30, 2022, the Board had \$208,100 in deposits that were uncollateralized and exposed to custodial credit risk.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) **As of June 30, 2022**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

All other 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.

Investments

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

Credit Risk of Debt Securities

The Board's rated debt investments as of June 30, 2022 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale. The Board and its blended component unit have no investment policies that would further limit their investment choices.

<u>Locality's Rated Debt Investment's Values</u>	
<u>Related Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>28,631</u>
Total	\$ <u>28,631</u>

Interest Rate Risk

According to the Board's investment policy, safety of principal is the foremost objective, thus the Board invests primarily in shorter term securities, money market mutual funds, and similar investment pools.

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ <u>28,631</u>	\$ <u>28,631</u>
Total	\$ <u>28,631</u>	\$ <u>28,631</u>

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) **As of June 30, 2022**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

External Investment Pool

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

NOTE 3 - 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 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.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) **As of June 30, 2022**

NOTE 3 - 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, 2020 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	85
Inactive members:	
Vested inactive members	22
Non-vested inactive members	79
Inactive members active elsewhere in VRS	<u>23</u>
Total inactive members	124
Active members	<u>133</u>
Total covered employees	<u><u>342</u></u>

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2022

NOTE 3 - 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, 2022 was 7.10% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$276,876 and \$298,005 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For the Board, the net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

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, 2020, 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, 2021.

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

The remainder of this page left blank intentionally.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2022

NOTE 3 - 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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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

EASTERN SHORE COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)**
As of June 30, 2022**NOTE 3 - 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	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.39%</u>

* The above allocation provides a one-year expected return of 7.39%. 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 6.94%, including expected inflation of 2.50%.

* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

The remainder of this page left blank intentionally.

EASTERN SHORE COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)**
As of June 30, 2022**NOTE 3 - 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Board was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 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 Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2020	\$ 20,992,069	\$ 18,592,142	\$ 2,399,927
Changes for the year:			
Service cost	\$ 391,400	\$ -	\$ 391,400
Interest	1,381,485	-	1,381,485
Differences between expected and actual experience	(84,935)	-	(84,935)
Assumption changes	688,461	-	688,461
Contributions - employer	-	297,818	(297,818)
Contributions - employee	-	221,039	(221,039)
Net investment income	-	5,040,077	(5,040,077)
Benefit payments, including refunds			
Refunds of employee contributions	(1,051,251)	(1,051,251)	-
Administrative expenses	-	(12,716)	12,716
Other changes	-	474	(474)
Net changes	\$ 1,325,160	\$ 4,495,441	\$ (3,170,281)
Balances at June 30, 2021	\$ 22,317,229	\$ 23,087,583	\$ (770,354)

EASTERN SHORE COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)**
As of June 30, 2022**NOTE 3 - 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%)
Board's Net Pension Liability (Asset)	\$ 2,008,709	\$ (770,354)	\$ (3,085,822)

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

For the year ended June 30, 2022, the Board recognized pension expense of (\$64,812). At June 30, 2022, 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	\$ -	\$ 81,240
Change in assumptions	449,396	-
Net difference between projected and actual earnings on pension plan investments	-	2,500,742
Employer contributions subsequent to the measurement date	276,876	-
Total	\$ 726,272	\$ 2,581,982

\$276,876 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. 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 periods as follows:

<u>Year ended June 30</u>	
2023	\$ (364,160)
2024	(425,043)
2025	(582,687)
2026	(760,696)
2027	-
Thereafter	-

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) **As of June 30, 2022**

NOTE 3 - PENSION PLAN (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 4—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 Group Life Insurance 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 GLI 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 Plan OPEB, including eligibility, coverage and benefits 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 \$8,722 as of June 30, 2022.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) **As of June 30, 2022**

NOTE 4—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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34 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, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$25,462 and \$26,919 for the years ended June 30, 2022 and June 30, 2021, 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, 2022, the entity reported a liability of \$281,055 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2019, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was .02410% as compared to .02590% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$7,994. 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.

The remainder of this page left blank intentionally.

EASTERN SHORE COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)**
As of June 30, 2022**NOTE 4—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, 2022, 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	\$ 32,055	\$ 2,141
Net difference between projected and actual earnings on GLI OPEB plan investments	-	67,082
Change in assumptions	15,494	38,454
Changes in proportionate share	4,203	27,052
Employer contributions subsequent to the measurement date	<u>25,462</u>	<u>-</u>
Total	<u>\$ 77,214</u>	<u>\$ 134,729</u>

\$25,462 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, 2023. 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>	
2023	\$ (17,366)
2024	(15,607)
2025	(16,580)
2026	(25,342)
2027	(8,082)
Thereafter	-

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2022

NOTE 4—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, 2020, 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, 2021. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years;
105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for
males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set
forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The remainder of this page left blank intentionally.

EASTERN SHORE COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)**
As of June 30, 2022**NOTE 4—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (CONTINUED)*****Actuarial Assumptions (Continued)***

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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 GLI 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, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,577,346
Plan Fiduciary Net Position		2,413,074
GLI Net OPEB Liability (Asset)	\$	<u>1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

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.

EASTERN SHORE COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)**
As of June 30, 2022**NOTE 4—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (CONTINUED)*****Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%.

* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

The remainder of this page left blank intentionally.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) **As of June 30, 2022**

NOTE 4—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (CONTINUED)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, 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 100% of the actuarially determined contribution rate. From July 1, 2021 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	1% Increase
	(5.75%)	Discount (6.75%)	(7.75%)
Board's proportionate share of the GLI Plan Net OPEB Liability	\$ 410,632	\$ 281,055	\$ 176,416

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 5 - CONTINGENT LIABILITIES

The Board operates programs which are 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 Board may be required to reimburse the grantor. The Board believes that the likelihood of disallowance of expenditures and subsequent reimbursements is remote and would not have a material effect on the overall financial position of the Board.

At June 30, 2022, there were no matters of litigation involving the Board which would materially affect the Board's financial position should any court decision or pending matter not be favorable to the Board.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2022

NOTE 6 - 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 participates with other localities in a public entity risk pool for their coverage of Public Official's Liability through the Commonwealth of Virginia's Division of Risk Management. The Board pays an annual premium to the pool for its general insurance through member premiums. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Board continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The remainder of this page left blank intentionally.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) **As of June 30, 2022**

NOTE 7 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2022 is presented below:

	Balance July 1, 2021	Adjustments	Adjusted Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
<i>Eastern Shore Community Services Board:</i>						
Capital assets not subject to depreciation:						
Construction in Progress	\$ 11,925	\$ -	\$ 11,925	\$ -	\$ 11,925	\$ -
Capital assets subject to depreciation:						
Computer Equipment	\$ 618,707	\$ -	\$ 618,707	\$ 11,672	\$ -	\$ 630,379
Leasehold Improvements	42,234	-	42,234	-	-	42,234
Office Furniture and Equipment	165,931	-	165,931	-	-	165,931
Software	955,597	-	955,597	33,818	-	989,415
Vehicles	816,058	-	816,058	-	-	816,058
Leased vehicles	-	82,150	82,150	-	-	82,150
Leased equipment	-	34,999	34,999	-	-	34,999
Total capital assets subject to depreciation	\$ 2,598,527	\$ 117,149	\$ 2,715,676	\$ 45,490	\$ -	\$ 2,761,166
Less accumulated depreciation for:						
Computer Equipment	\$ 449,915	\$ -	\$ 449,915	\$ 43,688	\$ -	\$ 493,603
Leasehold Improvements	24,858	-	24,858	948	-	25,806
Office Furniture and Equipment	135,165	-	135,165	8,824	-	143,989
Software	946,366	-	946,366	3,695	-	950,061
Vehicles	604,610	-	604,610	27,581	-	632,191
Leased vehicles	-	-	-	31,931	-	31,931
Leased equipment	-	-	-	22,496	-	22,496
Total accumulated depreciation	\$ 2,160,914	\$ -	\$ 2,160,914	\$ 139,163	\$ -	\$ 2,300,077
Total capital assets subject to depreciation, net	\$ 437,613	\$ 117,149	\$ 554,762	\$ (93,673)	\$ -	\$ 461,089
ESCSB capital assets, net	\$ 449,538	\$ 117,149	\$ 566,687	\$ (93,673)	\$ 11,925	\$ 461,089
<i>Component Unit- Mendisadd, Inc.:</i>						
Capital assets not subject to depreciation:						
Land	\$ 606,853	\$ -	\$ 606,853	\$ -	\$ -	\$ 606,853
Construction in Progress	16,500	-	16,500	-	16,500	-
Total capital assets not subject to depreciation	\$ 623,353	\$ -	\$ 623,353	\$ -	\$ 16,500	\$ 606,853
Capital assets subject to depreciation:						
Equipment	\$ 241,129	\$ -	\$ 241,129	\$ 36,395	\$ -	\$ 277,524
Buildings and Improvements	4,615,795	-	4,615,795	29,400	-	4,645,195
Total capital assets subject to depreciation	\$ 4,856,924	\$ -	\$ 4,856,924	\$ 65,795	\$ -	\$ 4,922,719
Less accumulated depreciation for:						
Equipment	\$ 218,789	\$ -	\$ 218,789	\$ 13,031	\$ -	\$ 231,820
Buildings and Improvements	2,703,381	-	2,703,381	180,833	-	2,884,214
Total accumulated depreciation	\$ 2,922,170	\$ -	\$ 2,922,170	\$ 193,864	\$ -	\$ 3,116,034
Total capital assets subject to depreciation, net	\$ 1,934,754	\$ -	\$ 1,934,754	\$ (128,069)	\$ -	\$ 1,806,685
Mendisadd, Inc. capital assets, net	\$ 2,558,107	\$ -	\$ 2,558,107	\$ (128,069)	\$ 16,500	\$ 2,413,538
Total reporting entity capital assets, net	\$ 3,007,645	\$ 117,149	\$ 3,124,794	\$ (221,742)	\$ 28,425	\$ 2,874,627

EASTERN SHORE COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)**
As of June 30, 2022**NOTE 8 - LEASES RECEIVABLE**

The Board leases land and rights-of-way for communication towers under lease contracts. In fiscal year 2022, the Board recognized principal and interest revenue in the amount of \$17,771 and \$2,019, respectively. A description of the leases is as follows:

<u>Lease Description</u>	<u>Start Date</u>	<u>End Date</u>	<u>Installment Amounts</u>	<u>Payment Frequency</u>	<u>Discount Rate</u>	<u>Receivable Balance</u>
Neubeam Tower Lease	7/1/2021	9/1/2032	\$ 955	Quarterly	0.8453%	\$ 7,910
Delmarva Two Way Radio Tower Lease	7/1/2021	12/31/2029	\$ 1,318	Monthly	1.6460%	111,532
Total						<u>\$ 119,442</u>

Expected future payments to be received are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 17,967	\$ 1,784	\$ 19,751
2024	18,352	158	18,510
2025	14,559	1,259	15,818
2026	14,801	101	14,902
2027	15,046	772	15,818
2028 - 2032	38,717	829	39,546
Total	<u>\$ 119,442</u>	<u>\$ 4,903</u>	<u>\$ 124,345</u>

NOTE 9 - LOCAL GOVERNMENT CONTRIBUTIONS BY PARTICIPANT

The participating localities contributed the following for the fiscal year ended June 30, 2022:

County of Accomack	\$ 204,037
County of Northampton	77,329
Total	<u>\$ 281,366</u>

The remainder of this page left blank intentionally.

EASTERN SHORE COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)**
As of June 30, 2022

NOTE 10 - LONG-TERM OBLIGATIONS

A summary of long-term obligation transactions of the Board for the year ended June 30, 2022 is as follows:

	Amounts payable at July 1, 2021	Adjustments	Adjusted Amounts payable at July 1, 2021	Increases	Decreases	Amounts payable at June 30, 2022	Amounts due within one year
Compensated Absences	\$ 601,859	\$ -	\$ 601,859	\$ 61,805	\$ 60,186	\$ 603,478	\$ 60,348
Note Payable from Direct Borrowing	375,427	-	375,427	-	41,762	333,665	43,886
Net OPEB Liability	431,728	-	431,728	80,116	230,789	281,055	-
Lease Liabilities	-	117,149	117,149	-	55,166	61,983	44,121
Total	<u>\$ 1,409,014</u>	<u>\$ 117,149</u>	<u>\$ 1,526,163</u>	<u>\$ 141,921</u>	<u>\$ 387,903</u>	<u>\$ 1,280,181</u>	<u>\$ 148,355</u>

The remainder of this page left blank intentionally.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2022

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>
Note Payable from Direct Borrowing:	
Mendisadd, Inc. note payable to BB&T to refinance debt on Parksley property. Payable in monthly installments of \$4,779 through June 16, 2029, including an interest rate of 4.375%. Secured by real estate property at 19056 Greenbush Road, Parskley, Virginia 23421.	\$ 333,665
Total Notes Payable	\$ 333,665
Lease Liabilities:	
\$12,334 vehicle lease, due in monthly installments of \$536 through October 2023, interest at 0.5925%	\$ 6,870
\$11,786 vehicle lease, due in monthly installments of \$521 through October 2023, interest at 0.5925%	6,567
\$17,053 vehicle lease, due in monthly installments of \$539 through March 2024, interest at 0.8453%	10,697
\$11,905 vehicle lease, due in monthly installments of \$365 through April 2024, interest at 0.8453%	7,602
\$17,169 vehicle lease, due in monthly installments of \$542 through March 2024, interest at 0.8453%	10,769
\$11,905 vehicle lease, due in monthly installments of \$365 through April 2024, interest at 0.8453%	7,602
\$4,200 copier lease, due in monthly installments of \$234 through January 2023, interest at 0.5925%	1,404
\$24,482 copier lease, due in monthly installments of \$1,366 through January 2023, interest at 0.5925%	8,183
\$1,274 copier lease, due in monthly installments of \$71 through January 2023, interest at 0.5925%	426
\$12,334 vehicle lease, due in monthly installments of \$267 through February 2023, interest at 0.5925%	1,863
Total Lease Liabilities	\$ 61,983
Net OPEB Liability	\$ 281,055
Compensated Absences	\$ 603,478
Total Long-Term Obligations	\$ 1,280,181

The Board has a \$250,000 revolving line of credit. At June 30, 2022, the Board's outstanding balance against the line of credit was \$0 and there were no draws during the year.

EASTERN SHORE COMMUNITY SERVICES BOARD**Notes to Financial Statements (Continued)**
As of June 30, 2022**NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)**

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

Year Ending June 30	CSB		Mendisadd, Inc.	
	Lease Liabilities		Note Payable from Direct Borrowing	
	Principal	Interest	Principal	Interest
2023	\$ 44,121	\$ 298	\$ 43,886	\$ 13,714
2024	17,862	53	45,845	11,755
2025	-	-	47,891	9,709
2026	-	-	50,029	7,571
2027	-	-	52,262	5,338
2028-2029	-	-	93,752	3,661
Total	\$ <u>61,983</u>	\$ <u>351</u>	\$ <u>333,665</u>	\$ <u>51,748</u>

NOTE 11 - UNEARNED REVENUE

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. This represents a liability incurred by the Board for monies accepted from a grantor using the advance method for payments. The liability is reduced and revenue recorded when expenses are made in accordance with the grantor's requirements. If expenses are not made, the funds may revert to the grantor.

Unearned revenue consisted of the following:

Local Revenue:	
Pre-pays	\$ 2,431
State Revenue:	
MH grants	375,483
DS grants	12,438
SUD grants	592,520
Federal Revenue:	
MH grants	83,350
SUD grants	487,523
	\$ <u>1,553,745</u>

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2022

NOTE 12 - ADOPTION OF ACCOUNTING PRINCIPLES

The Board implemented provisions of Governmental Accounting Standards Board Statement No. 87, *Leases* during the fiscal year ended June 30, 2022. Statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases:

	<u>CSB</u>	<u>Mendisadd, Inc.</u>
Lessee activity:		
Lease assets	\$ <u>117,149</u>	\$ <u>-</u>
Lease liabilities	\$ <u>117,149</u>	\$ <u>-</u>
Lessor activity:		
Leases receivable	\$ <u>-</u>	\$ <u>137,213</u>
Deferred inflows of resources - leases	\$ <u>-</u>	\$ <u>137,213</u>

NOTE 13 - UPCOMING PRONOUNCEMENTS

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) **As of June 30, 2022**

NOTE 13 - UPCOMING PRONOUNCEMENTS (CONTINUED)

Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

NOTE 14 - COVID-19

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Board, COVID-19 impacted various parts of its 2022 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. The Board believes it is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2023.

NOTE 15 - LOCAL CONTRIBUTIONS

The Board receives local contributions from Northampton County and Accomack County, with budgeted contributions of \$77,329 and \$204,037, respectively.

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

EASTERN SHORE COMMUNITY SERVICES BOARD**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan****For the Measurement Dates June 30, 2014 through June 30, 2021**

	<u>2021</u>	<u>2020</u>
Total pension liability		
Service cost	\$ 391,400	\$ 456,516
Interest	1,381,485	1,333,711
Differences between expected and actual experience	(84,935)	(76,725)
Changes of assumptions	688,461	-
Benefit payments	(1,051,251)	(960,226)
Net change in total pension liability	\$ 1,325,160	\$ 753,276
Total pension liability - beginning	20,992,069	20,238,793
Total pension liability - ending (a)	<u>\$ 22,317,229</u>	<u>\$ 20,992,069</u>
 Plan fiduciary net position		
Contributions - employer	\$ 297,818	\$ 296,704
Contributions - employee	221,039	238,332
Net investment income	5,040,077	355,675
Benefit payments	(1,051,251)	(960,226)
Administrator charges	(12,716)	(12,214)
Other	474	(419)
Net change in plan fiduciary net position	\$ 4,495,441	\$ (82,148)
Plan fiduciary net position - beginning	18,592,142	18,674,290
Plan fiduciary net position - ending (b)	<u>\$ 23,087,583</u>	<u>\$ 18,592,142</u>
 Board's net pension liability - ending (a) - (b)	\$ (770,354)	\$ 2,399,927
 Plan fiduciary net position as a percentage of the total pension liability	103.45%	88.57%
 Covered payroll	\$ 4,968,316	\$ 5,301,671
 Board's net pension liability as a percentage of covered payroll	-15.51%	45.27%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

2019	2018	2017	2016	2015	2014
\$ 443,631	\$ 443,060	\$ 462,023	\$ 487,979	\$ 496,973	\$ 498,592
1,296,671	1,236,376	1,202,747	1,148,526	1,104,668	1,041,588
(121,303)	97,089	(230,377)	(67,126)	(247,395)	-
564,617	-	(85,193)	-	-	-
(937,388)	(892,953)	(844,618)	(744,969)	(710,434)	(567,640)
\$ 1,246,228	\$ 883,572	\$ 504,582	\$ 824,410	\$ 643,812	\$ 972,540
18,992,565	18,108,993	17,604,411	16,780,001	16,136,189	15,163,649
<u>\$ 20,238,793</u>	<u>\$ 18,992,565</u>	<u>\$ 18,108,993</u>	<u>\$ 17,604,411</u>	<u>\$ 16,780,001</u>	<u>\$ 16,136,189</u>
\$ 294,505	\$ 328,849	\$ 328,079	\$ 417,369	\$ 421,399	\$ 468,572
231,450	231,102	227,912	218,246	263,147	236,859
1,182,582	1,251,849	1,869,763	266,474	671,135	1,994,489
(937,388)	(892,953)	(844,618)	(744,969)	(710,434)	(567,640)
(11,842)	(10,870)	(10,859)	(9,443)	(9,077)	(10,531)
(745)	(1,112)	(1,662)	(113)	(142)	105
\$ 758,562	\$ 906,865	\$ 1,568,615	\$ 147,564	\$ 636,028	\$ 2,121,854
17,915,728	17,008,863	15,440,248	15,292,684	14,656,656	12,534,802
<u>\$ 18,674,290</u>	<u>\$ 17,915,728</u>	<u>\$ 17,008,863</u>	<u>\$ 15,440,248</u>	<u>\$ 15,292,684</u>	<u>\$ 14,656,656</u>
\$ 1,564,503	\$ 1,076,837	\$ 1,100,130	\$ 2,164,163	\$ 1,487,317	\$ 1,479,533
92.27%	94.33%	93.92%	87.71%	91.14%	90.83%
\$ 5,053,249	\$ 5,020,238	\$ 4,867,751	\$ 4,550,610	\$ 4,519,527	\$ 4,640,238
30.96%	21.45%	22.60%	47.56%	32.91%	31.88%

EASTERN SHORE COMMUNITY SERVICES BOARD**Schedule of Employer Contributions - Pension Plan****For the Years Ended June 30, 2013 through June 30, 2022**

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)*	Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)		
2022	\$ 276,876	\$ 276,876	\$ -	\$ 4,695,234	5.90%
2021	298,005	298,005	-	4,968,316	6.00%
2020	301,901	301,901	-	5,301,671	5.69%
2019	294,651	294,651	-	5,053,249	5.83%
2018	329,339	329,339	-	5,020,238	6.56%
2017	351,452	351,452	-	4,867,751	7.22%
2016	427,757	427,757	-	4,550,610	9.40%
2015	424,836	424,836	-	4,519,527	9.40%
2014	468,664	468,664	-	4,640,238	10.10%
2013	454,568	454,568	-	4,500,675	10.10%

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

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information - Pension Plan

For the Year Ended June 30, 2022

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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

EASTERN SHORE COMMUNITY SERVICES BOARD**Schedule of Board's Share of Net OPEB Liability****Group Life Insurance (GLI) Plan****For the Measurement Dates of June 30, 2017 through June 30, 2021**

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability	Employer's Covered Payroll	Employer's	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
				Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4)	
(1)	(2)	(3)	(4)	(5)	(6)
2021	0.02410%	\$ 281,055	\$ 4,984,979	5.64%	67.45%
2020	0.02590%	431,728	5,323,828	8.11%	52.64%
2019	0.02581%	419,998	5,060,345	8.30%	52.00%
2018	0.02650%	402,000	5,038,227	7.98%	51.22%
2017	0.02640%	397,000	4,869,309	8.15%	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.

EASTERN SHORE COMMUNITY SERVICES BOARD**Schedule of Employer Contributions****Group Life Insurance (GLI) Plan****For the Years Ended June 30, 2013 through June 30, 2022**

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
	(1)	(2)	(3)	(4)	(5)
2022	\$ 25,462	\$ 25,462	\$ -	\$ 4,715,274	0.54%
2021	26,919	26,919	-	4,984,979	0.54%
2020	27,684	27,684	-	5,323,828	0.52%
2019	26,314	26,314	-	5,060,345	0.52%
2018	26,199	26,199	-	5,038,227	0.52%
2017	25,320	25,320	-	4,869,309	0.52%
2016	21,936	21,936	-	4,569,900	0.48%
2015	21,720	21,720	-	4,525,011	0.48%
2014	22,320	22,320	-	4,650,096	0.48%
2013	21,607	21,607	-	4,501,539	0.48%

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information

Group Life Insurance (GLI) Plan

For the Year Ended June 30, 2022

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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 SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

EASTERN SHORE COMMUNITY SERVICES BOARD

Combining Statement of Net Position

As of June 30, 2022

	ESCSB Operating Fund	Mendisadd, Inc. Fund	Inter- Company Eliminations	Total
Current Assets:				
Cash and cash equivalents	\$ 5,348,827	\$ 331,525	\$ -	\$ 5,680,352
Client receivables (net of allowance for uncollectible accounts)	871,727	-	-	871,727
Grant receivable	137,663	-	-	137,663
Notes receivable	91,656	-	(91,656)	-
Interest receivable	-	153	-	153
Leases receivable, current portion	-	17,967	-	17,967
Prepaid items	169,721	-	-	169,721
Total current assets	\$ 6,619,594	\$ 349,645	\$ (91,656)	\$ 6,877,583
Noncurrent Assets:				
Long-term leases receivable, less current portion	\$ -	\$ 101,475	\$ -	\$ 101,475
Net pension asset	770,354	-	-	770,354
Total noncurrent assets	\$ 770,354	\$ 101,475	\$ -	\$ 871,829
Capital Assets:				
Land	\$ -	\$ 606,853	\$ -	\$ 606,853
Property and equipment, less accumulated depreciation	461,089	1,806,685	-	2,267,774
Total capital assets	\$ 461,089	\$ 2,413,538	\$ -	\$ 2,874,627
Total assets	\$ 7,851,037	\$ 2,864,658	\$ (91,656)	\$ 10,624,039
Deferred Outflows of Resources:				
Pension related items	\$ 726,272	\$ -	\$ -	\$ 726,272
OPEB related items	77,214	-	-	77,214
Total deferred outflows of resources	\$ 803,486	\$ -	\$ -	\$ 803,486
Current Liabilities:				
Accounts payable	\$ 115,592	\$ 6,321	\$ -	\$ 121,913
Accrued expenses	526,777	-	-	526,777
Unearned revenues	1,553,745	-	-	1,553,745
Accrued interest	28	-	-	28
Current portion of compensated absences	60,348	-	-	60,348
Current portion of note payable	-	54,886	(11,000)	43,886
Current portion of lease liabilities	44,121	-	-	44,121
Total current liabilities	\$ 2,300,611	\$ 61,207	\$ (11,000)	\$ 2,350,818
Long-Term Liabilities:				
Compensated absences, less current portion	\$ 543,130	\$ -	\$ -	\$ 543,130
Notes payable, less current portion	-	370,435	(80,656)	289,779
Lease liabilities, less current portion	17,862	-	-	17,862
Net OPEB liability	281,055	-	-	281,055
Total long-term liabilities	\$ 842,047	\$ 370,435	\$ (80,656)	\$ 1,131,826
Total liabilities	\$ 3,142,658	\$ 431,642	\$ (91,656)	\$ 3,482,644
Deferred Inflows of Resources:				
Pension related items	\$ 2,581,982	\$ -	\$ -	\$ 2,581,982
OPEB related items	134,729	-	-	134,729
Lease related items	-	137,213	-	137,213
Total deferred inflows of resources	\$ 2,716,711	\$ 137,213	\$ -	\$ 2,853,924
Net Position:				
Net investment in capital assets	\$ 461,089	\$ 1,988,217	\$ 91,656	\$ 2,540,962
Unrestricted	2,334,065	307,586	(91,656)	2,549,995
Total net position	\$ 2,795,154	\$ 2,295,803	\$ -	\$ 5,090,957

EASTERN SHORE COMMUNITY SERVICES BOARD**Combining Statement of Revenues, Expenses and Changes in Net Position****Year Ended June 30, 2022**

	ESCSB Operating Fund	Mendisadd Inc. Fund	Inter- Company Eliminations	Total
Operating revenues:				
Patient service and other fees	\$ 5,840,948	\$ -	\$ -	\$ 5,840,948
Operating expenses:				
Personnel	\$ 7,819,613	\$ -	\$ -	\$ 7,819,613
Staff development	49,239	-	-	49,239
Facility charges	889,435	186,598	(336,294)	739,739
Travel	17,746	-	-	17,746
Consultants and other professional services	1,470,492	383	-	1,470,875
Other charges	767,249	-	-	767,249
Depreciation	139,164	193,864	-	333,028
Total operating expenses	\$ 11,152,938	\$ 380,845	\$ (336,294)	\$ 11,197,489
Operating income (loss)	\$ (5,311,990)	\$ (380,845)	\$ 336,294	\$ (5,356,541)
Nonoperating revenues (expenses):				
Commonwealth of Virginia, including pass-through grants of \$1,482,228 from the federal government	\$ 5,342,947	\$ -	\$ -	\$ 5,342,947
Direct federal	256,709	-	-	256,709
Local governments	281,366	-	-	281,366
Other agencies	110,227	-	-	110,227
Rental income	-	341,710	(336,294)	5,416
Sale of property	-	20,850	-	20,850
Interest income	10,093	2,019	(4,627)	7,485
Interest expense	(644)	(20,484)	4,627	(16,501)
Total nonoperating revenues (expenses)	\$ 6,000,698	\$ 344,095	\$ (336,294)	\$ 6,008,499
Change in net position	\$ 688,708	\$ (36,750)	\$ -	\$ 651,958
Net position at beginning of year	2,106,446	2,332,553	-	4,438,999
Net position at end of year	\$ 2,795,154	\$ 2,295,803	\$ -	\$ 5,090,957

EASTERN SHORE COMMUNITY SERVICES BOARD

Combining Statement of Cash Flows

Year Ended June 30, 2022

	ESCSB Operating Fund	Mendisadd, Inc. Fund	Inter- Company Eliminations	Total
Cash flows from operating activities:				
Receipts from clients' fees and other providers	\$ 7,021,620	\$ -	\$ -	\$ 7,021,620
Payments to suppliers	(3,144,141)	(179,720)	336,294	(2,987,567)
Payments to and for employees	(8,244,017)	-	-	(8,244,017)
Net cash provided by (used for) operating activities	\$ (4,366,538)	\$ (179,720)	\$ 336,294	\$ (4,209,964)
Cash flows from noncapital and related financing activities:				
Government and other agencies	\$ 5,853,586	\$ -	\$ -	\$ 5,853,586
Rent of property	-	359,481	(336,294)	23,187
Sale of property	-	20,850	-	20,850
Net cash provided by (used for) noncapital and related financing activities	\$ 5,853,586	\$ 380,331	\$ (336,294)	\$ 5,897,623
Cash flows from capital and related financing activities:				
Purchase of capital assets	\$ (33,565)	\$ (49,295)	\$ -	\$ (82,860)
Lease activities	(55,166)	-	-	(55,166)
Principal payments on note payable	-	(52,253)	10,491	(41,762)
Interest paid on leases and notes payable	(616)	(20,484)	4,627	(16,473)
Net cash provided by (used for) capital and related financing activities	\$ (89,347)	\$ (122,032)	\$ 15,118	\$ (196,261)
Cash flows from investing activities:				
Interest received	\$ 10,093	\$ 1,866	\$ (4,627)	\$ 7,332
Principal received on notes receivable	10,491	-	(10,491)	-
Net cash provided by (used for) investing activities	\$ 20,584	\$ 1,866	\$ (15,118)	\$ 7,332
Net increase (decrease) in cash and cash equivalents	\$ 1,418,285	\$ 80,445	\$ -	\$ 1,498,730
Cash and cash equivalents, beginning of year	3,930,542	251,080	-	4,181,622
Cash and cash equivalents, end of year	\$ 5,348,827	\$ 331,525	\$ -	\$ 5,680,352
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (5,311,990)	\$ (380,845)	\$ 336,294	\$ (5,356,541)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	139,164	193,864	-	333,028
Changes in assets, liabilities, and deferred inflows/outflows of resources:				
(Increase)/decrease in accounts receivable	(76,233)	-	-	(76,233)
(Increase)/decrease in prepaid items	(121,428)	1,300	-	(120,128)
(Increase)/decrease in due to (from) HUD	(30,994)	-	-	(30,994)
(Increase)/decrease in due from local government	100,263	-	-	100,263
(Increase)/decrease in deferred outflows of resources	359,388	-	-	359,388
(Increase)/decrease in net pension asset	(770,354)	-	-	(770,354)
Increase/(decrease) in compensated absences	1,619	-	-	1,619
Increase/(decrease) in accounts payable	(163,908)	5,961	-	(157,947)
Increase/(decrease) in unearned revenues	1,156,642	-	-	1,156,642
Increase/(decrease) in net pension liability	(2,399,927)	-	-	(2,399,927)
Increase/(decrease) in net OPEB liability	(150,673)	-	-	(150,673)
Increase/(decrease) in deferred inflows of resources	2,602,528	-	-	2,602,528
Increase/(decrease) in other accrued expenses	299,365	-	-	299,365
Net cash provided by (used for) operating activities	\$ (4,366,538)	\$ (179,720)	\$ 336,294	\$ (4,209,964)

THIS PAGE LEFT BLANK INTENTIONALLY

COMPLIANCE

THIS PAGE LEFT BLANK INTENTIONALLY



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
EASTERN SHORE COMMUNITY SERVICES BOARD
NASSAWADOX, 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 Eastern Shore Community Services Board as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Eastern Shore Community Services Board's basic financial statements and have issued our report thereon dated November 25, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastern Shore 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 Eastern Shore Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Eastern Shore 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 Eastern Shore 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 Eastern Shore Community Service Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eastern Shore Community Service Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "D. Frick", followed by a long horizontal line.

Richmond, Virginia
November 25, 2022



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
EASTERN SHORE COMMUNITY SERVICES BOARD
NASSAWADOX, VIRGINIA**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Eastern Shore 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 Eastern Shore Community Services Board's major federal programs for the year ended June 30, 2022. Eastern Shore 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, Eastern Shore Community Services Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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 Eastern Shore 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 Eastern Shore 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 Eastern Shore 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 Eastern Shore 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 Eastern Shore 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 Eastern Shore 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 Eastern Shore 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 Eastern Shore 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.

Report on Internal Control over Compliance (Continued)

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.

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line extending to the right.

Richmond, Virginia
November 25, 2022

EASTERN SHORE COMMUNITY SERVICES BOARD**Schedule of Expenditures of Federal Awards****Year Ended June 30, 2022**

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Department of Treasury: Pass Through Payments: Department of Behavioral Health and Developmental Services: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	561000090	\$ <u>62,500</u>
Department of Education Pass Through Payments: Department of Behavioral Health and Developmental Services: Special Education - Grants for Infants and Families	84.181	445007-43080 & 445007-43081	\$ <u>76,486</u>
Department of Health and Human Services: Direct Payments: COVID-19 Provider Relief Fund	93.498	N/A	\$ <u>429,264</u>
Pass Through Payments: Department of Behavioral Health and Developmental Services: Block Grants for Community Mental Health Services	93.958	2B09SM010053-19 1B09SM082636-01	133,342
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010053-19 1B08TI083056-01	628,378
Medical Assistance Program	93.778	Unavailable	12,800
Opioid STR	93.788	5H79TI081682-02	<u>568,722</u>
Total Department of Health and Human Services			\$ <u>1,772,506</u>
Total Expenditures of Federal Awards			\$ <u><u>1,911,492</u></u>

See accompanying notes to schedule of expenditures of federal awards.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Eastern Shore Community Services Board under programs of the federal government for the year ended June 30, 2022. 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 Eastern Shore Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of Eastern Shore 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 as to reimbursement.

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

(3) The Board did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - Provider Relief Fund

Based on current guidance from the Department of Health and Human Services (HHS), PRF expenditures (including lost revenue) are to be reported on the SEFA based upon PRF reports submitted through the Health Resources and Services Administration (HRSA) reporting portal. Therefore, the amount of PRF expenditures included on the FYE June 30, 2022 SEFA is based upon the PRF reporting portal guidelines for Periods 2 and 3, as specified by HHS.

Note E - Relationship to Financial Statements

Appropriations from the Commonwealth of Virginia, including pass-through grants	\$ 1,482,228
Direct federal aid	<u>256,709</u>
Total federal expenditures per basic financial statements	\$ 1,738,937
COVID-19 Provider Relief Funds - Period 2 (reported FY22)	363,598
COVID-19 Provider Relief Funds - Period 4 (reported FY23)	<u>(191,043)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,911,492</u></u>

EASTERN SHORE COMMUNITY SERVICES BOARD

**Schedule of Findings and Questioned Costs
As of June 30, 2022**

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ☒ no

Significant deficiency(ies) identified? _____ yes ☒ none reported

Noncompliance material to financial statements noted? _____ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ☒ no

Significant deficiency(ies) identified? _____ yes ☒ 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 ☒ no

Identification of major programs:

Assistance Listing Number(s)

93.959

93.498

Name of Federal Program or Cluster

Block Grants for Prevention and
Treatment of Substance Abuse
Provider Relief Fund

Dollar threshold used to distinguish between type A
and type B programs:

\$750,000

Auditee qualified as low-risk auditee? _____ yes ☒ no

EASTERN SHORE COMMUNITY SERVICES BOARD

Schedule of Findings and Questioned Costs (Continued)
As of June 30, 2022

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

Section IV - Prior Year Findings

Finding 2021-001:

ESCSB was not performing bank reconciliations in a timely manner.

Corrective Action Taken:

The Board implemented procedures to ensure all bank reconciliations are being performed in a timely manner.