

EASTERN SHORE
COMMUNITY SERVICES BOARD

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025

**EASTERN SHORE
COMMUNITY SERVICES BOARD**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR
ENDED JUNE 30, 2025**

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	1-3
Management's Discussion and Analysis	4-7
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11-40
Required Supplementary Information:	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	41-42
Schedule of Employer Contributions - Pension Plan	43
Notes to Required Supplementary Information - Pension Plan	44
Schedule of Board's Share of Net OPEB Liability - Group Life Insurance (GLI) Plan	45
Schedule of Employer Contributions - Group Life Insurance (GLI) Plan	46
Notes to Required Supplementary Information - Group Life Insurance (GLI) Plan	47
Other Supplementary Information:	
Combining Financial Statements	
Combining Statement of Net Position	48
Combining Statement of Revenues, Expenses and Changes in Net Position	49
Combining Statement of Cash Flows	50
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>	51-52
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	53-55
Schedule of Expenditures of Federal Awards	56
Notes to Schedule of Expenditures of Federal Awards	57
Schedule of Findings and Questioned Costs	58-59

EASTERN SHORE COMMUNITY SERVICES BOARD

BOARD OFFICIALS

BOARD OF DIRECTORS

Mr. Eve Belote, Chair
Vacant, Vice-Chair
Mr. Richard Freeman
Mr. Richard L. Hubbard
Ms. Peggy Shaeffer

Ms. Cynthia Wilder
Vacant
Ms. Roxanne R. Ward
Ms. Judy Worthington

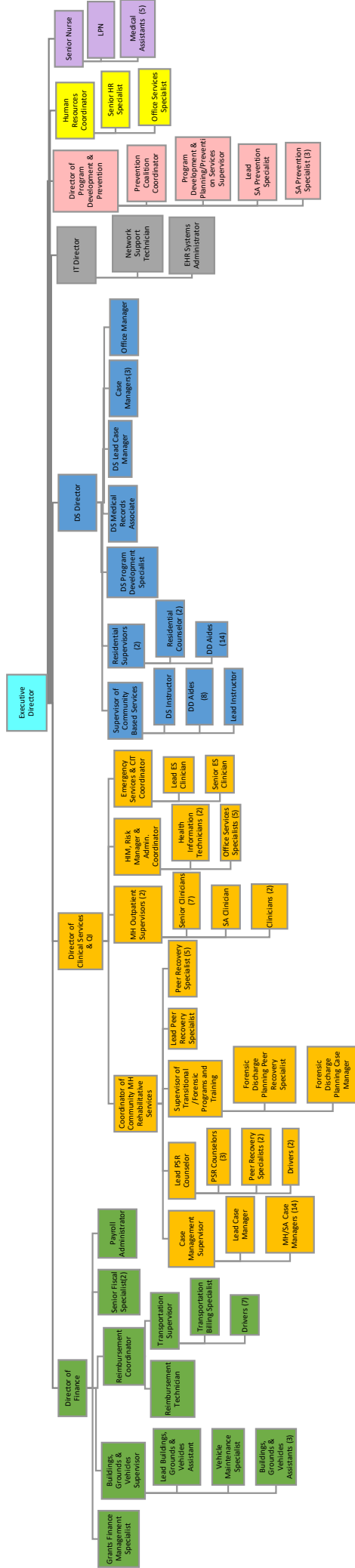
LEADERSHIP TEAM

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

Molly Walker

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

Eastern Shore Community Services Board





Independent Auditors' Report

**TO THE BOARD OF DIRECTORS
EASTERN SHORE COMMUNITY SERVICES BOARD
TASLEY, 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, 2025, 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, 2025, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 14 to the financial statements, in 2025, the Board adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 15 to the financial statements, in 2025, the Board restated beginning balances to reflect the requirements of GASB Statement No. 101. 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 January 21, 2026, 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.

Robinson, Fournier, Cox Associates

Richmond, Virginia
January 21, 2026

EASTERN SHORE COMMUNITY SERVICES BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2025

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.

Our mission is to offer high-quality support, prevention, education, and care that promote wellness, recovery, and a stronger, more connected community. We deliver services through a coordinated care model that values dignity, respect, and personal choice.

Guided by our Core Values - Caring, Professional, Innovative, and Inclusive - we continue to foster meaningful collaborations with community stakeholders to enact positive change in the lives of those on the Eastern Shore.

As of June 30, 2025, the Board had 138 employees of which 126 were full time and 12 part time providing mental health, developmental services, substance use disorder , prevention, residential, transportation and administrative support services in 10 facilities. Our steadfast commitment to being the "Employer and Provider of Choice" on the Eastern Shore remains unwavering, as evidenced by the high levels of satisfaction expressed by our employees - over 75% report being extremely or very satisfied with their employment and 85% enjoy a positive work-life balance.

During 2025, 7,155 individuals were supported through our services. Total individuals served included 1,756 in Mental Health Outpatient, 341 in Substance Use Disorder Services, 131 in Developmental Services, 269 in Emergency Services, 1,237 Peer Recovery Services, 916 in Assessment and Evaluation and 1,217 in Consumer Monitoring. Our Prevention efforts served 1,288 individuals through its various programs. Individuals may be served by more than one department.

Operations of the Board are funded by state, federal and local funds, as well as client fees. For the year ended June 30, 2025, the Board received state, federal, and local funds in the amounts of \$7,655,199, \$1,275,638, and \$303,267, respectively. Client fees amounted to \$6,230,821.

HIGHLIGHTS

Financial Highlights for FY 2025

- Cash and investments increased \$2.041 million.
- Net position increased \$3.419 million.
- Operating revenues increased \$166 thousand.
- Operating expenses increased \$1.2 million.

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, 2025. 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 FY2025 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>2025</u>	<u>2024</u>
Current Assets	\$ 10,497,008	\$ 8,690,145
Noncurrent Assets	377,846	89,059
Capital assets, less Accumulated Depreciation	<u>3,014,747</u>	<u>2,944,795</u>
TOTAL ASSETS	<u>\$ 13,889,601</u>	<u>\$ 11,723,999</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 643,969</u>	<u>\$ 341,622</u>
Current Liabilities	\$ 2,245,458	\$ 2,979,216
Net OPEB Liability	247,288	253,175
Long-Term Liabilities	<u>1,309,478</u>	<u>868,322</u>
TOTAL LIABILITIES	<u>\$ 3,802,224</u>	<u>\$ 4,100,713</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 738,968</u>	<u>\$ 1,010,376</u>
Net Position:		
Net Investment in Capital Assets	\$ 3,096,117	\$ 2,627,662
Restricted - net pension asset	377,846	214,093
Unrestricted	<u>6,518,415</u>	<u>4,385,297</u>
TOTAL NET POSITION	<u>\$ 9,992,378</u>	<u>\$ 7,227,052</u>

The prior year information above has not been restated for GASB 101 implementation.

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

	<u>2025</u>	<u>2024</u>
Operating Revenues	\$ 6,230,821	\$ 6,062,805
Operating Expenses	<u>(14,467,842)</u>	<u>(13,214,187)</u>
Operating Income (Loss)	(8,237,021)	(7,151,382)
Nonoperating Income	<u>11,656,549</u>	<u>8,307,307</u>
Change in Net Position	<u>3,419,528</u>	<u>1,155,925</u>

The prior year information above has not been restated for GASB 101 implementation.

OVERALL FINANCIAL ANALYSIS

In general, the financial condition of the Board remains strong. The Statement of Net Position also shows 320% more total assets and deferred outflows of resources than total liabilities and deferred inflows of resources, an increase of 32% over the prior year.

The Board continues to monitor ways in which revenues can be utilized to provide new and improved services to our clients. Expenses continue to be monitored and prudently managed by the Board. All programs and services are now being provided at pre COVID-19 levels. Recruitment and retention of qualified individuals continues to present significant issues due to managed care and other private care organizations. The Board remains responsive to this issue as well as other evolving conditions and is exploring options to mitigate staffing concerns, to include but not limited to, 32 hour work week, retention and sign on bonuses as well as referral bonuses.

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.

EASTERN SHORE COMMUNITY SERVICES BOARD

Statement of Net Position

As of June 30, 2025

Assets

Current Assets:

Cash and cash equivalents	\$ 9,052,372
Client receivables (net of allowance for uncollectible accounts)	749,494
Due from other governmental unit	188,750
Grant receivable	53,275
Notes receivable	97,701
Prepaid items	350,191
	<hr/>
Total current assets	\$ 10,491,783

Noncurrent Assets:

Notes receivable, less current portion	\$ 141,433
Net pension asset	377,846

Capital Assets:

Land	\$ 523,132
Construction in progress	125,039
Other capital assets, less accumulated depreciation	2,366,576
	<hr/>
Total capital assets	\$ 3,014,747

Total noncurrent assets	\$ 3,534,026
-------------------------	--------------

Total assets	\$ 14,025,809
--------------	---------------

Deferred Outflows of Resources:

Pension related items	\$ 562,650
OPEB related items	81,319
	<hr/>
Total deferred outflows of resources	\$ 643,969

Liabilities

Current Liabilities:

Accounts payable	\$ 295,439
Accrued expenses	349,345
Unearned revenues	1,579,001
Current portion of compensated absences	142,369
Current portion of lease liabilities	15,512
	<hr/>
Total current liabilities	\$ 2,381,666

Long-Term Liabilities:

Compensated absences, less current portion	\$ 1,281,321
Lease liabilities, less current portion	28,157
Net OPEB liability	247,288
	<hr/>
Total long-term liabilities	\$ 1,556,766
Total liabilities	\$ 3,938,432

Deferred Inflows of Resources:

Pension related items	\$ 668,316
OPEB related items	70,652
	<hr/>
Total deferred inflows of resources	\$ 738,968

Net Position:

Net investment in capital assets	\$ 3,096,117
Restricted - net pension asset	377,846
Unrestricted	6,518,415
	<hr/>
Total net position	\$ 9,992,378

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, 2025

Operating revenues:		
Client service fees	\$	6,230,821
Total operating revenues	\$	<u>6,230,821</u>
Operating expenses:		
Personnel	\$	8,816,608
Staff development		190,391
Facility charges		1,503,698
Travel		19,382
Consultants and other professional services		2,511,175
Other charges		1,029,995
Depreciation		396,593
Total operating expenses	\$	<u>14,467,842</u>
Operating income (loss)	\$	<u>(8,237,021)</u>
Nonoperating revenues (expenses):		
Commonwealth of Virginia, including pass-through grants of \$1,275,638 from the federal government	\$	8,930,837
Local governments		303,267
Other agencies		217,439
Interest income		611,661
Gain (loss) on disposition of property		146,611
PPP employee retention credit		1,457,694
Interest expense		<u>(10,960)</u>
Total nonoperating revenues (expenses)	\$	<u>11,656,549</u>
Change in net position	\$	3,419,528
Net position at beginning of year, as previously reported		7,227,052
Restatement		(654,202)
Net position at beginning of year, as restated		<u>6,572,850</u>
Net position at end of year	\$	<u><u>9,992,378</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, 2025

Cash flows from operating activities:	
Receipts from clients' fees and other providers	\$ 5,588,021
Rental properties	(245)
Payments to suppliers	(4,774,137)
Payments to and for employees	(9,557,610)
Net cash provided by (used for) operating activities	<u>\$ (8,743,971)</u>
Cash flows from noncapital and related financing activities:	
Government and other agencies	\$ 9,507,977
PPP Employee retention credit	1,457,694
Net cash provided by (used for) noncapital and related financing activities	<u>\$ 10,965,671</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (569,934)
Proceeds from sale of capital assets	250,000
Principal payments on leases and subscriptions	(39,082)
Principal payments on notes payable	(234,382)
Interest paid on long-term obligations	(10,960)
Net cash provided by (used for) capital and related financing activities	<u>\$ (604,358)</u>
Cash flows from investing activities:	
Interest received	\$ 611,661
Issuance of note receivable	(190,389)
Principal received on notes receivable	2,434
Total cash flows provided by (used for) investing activities	<u>\$ 423,706</u>
Net increase (decrease) in cash and cash equivalents	\$ 2,041,048
Cash and cash equivalents, beginning of year	<u>7,011,324</u>
Cash and cash equivalents, end of year	<u>\$ 9,052,372</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (8,237,021)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	396,593
Changes in assets, liabilities, and deferred outflows/inflows of resources:	
(Increase)/decrease in accounts receivable	355,147
(Increase)/decrease in lease receivable	4,151
(Increase)/decrease in prepaid items	(129,800)
(Increase)/decrease in net pension asset	(288,787)
(Increase)/decrease in deferred outflows of resources	(302,347)
Increase/(decrease) in compensated absences	60,284
Increase/(decrease) in accounts payable	235,567
Increase/(decrease) in unearned revenues	(997,947)
Increase/(decrease) in net OPEB liability	(5,887)
Increase/(decrease) in other accrued expenses	164,964
Increase/(decrease) in deferred inflows of resources	1,112
Net cash provided by (used for) operating activities	<u>\$ (8,743,971)</u>

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

EASTERN SHORE COMMUNITY SERVICES BOARD

**Notes to Financial Statements
As of June 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description and Purpose of Agency

The Board operates as an agent for the Counties of 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, 2025**

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 certain reported amounts and disclosures. 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, 2025, the Board was due \$1,127,786 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, 2025 was \$378,292.

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, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, lease, subscription 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 \$10,000 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 and subscription 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 increase 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, subscription 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 (or life of the associated contract for lease and subscription assets):

<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
Subscription assets	2-3
Lease Equipment	2-5
Lease Vehicles	3

L. Leases and Subscription-Based IT Arrangements

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

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Leases and Subscription-Based IT Arrangements (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). Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Lessee

The Board recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$10,000, individually or in the aggregate, in the financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Subsequently, the lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Subscriptions

The Board recognizes intangible right-to-use subscription assets (subscription assets) with an initial value of \$10,000 and corresponding subscription liabilities with an initial value of \$10,000, individually or in the aggregate, in the financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before commencement of the subscription term, and capitalizable implementation costs, less any incentives received. Subsequently, the subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Key Estimates and Judgments

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

- The Board uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Board uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.

EASTERN SHORE COMMUNITY SERVICES BOARD

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Leases and Subscription-Based IT Arrangements (Continued)

Key Estimates and Judgments (Continued)

- The lease and subscription terms include the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease or subscription incentives and certain other payments are included in the measurement of the lease receivable (lessor), lease liability (lessee) or subscription liability.

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

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 recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - vacation and sick leave. A liability for compensated absences is only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation

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

Sick Leave

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

EASTERN SHORE COMMUNITY SERVICES BOARD

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

O. Budgetary Accounting (Continued)

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 represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Board has one type of 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 represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two items that qualify for reporting in this category. Certain items related to pension, OPEB, and lease are reported as deferred inflows of resources. 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, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS GLI 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.

S. Net Position (Continued)

- 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, 2025, the Board had \$2,374,025 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, 2025

NOTE 2 - DEPOSITS AND INVESTMENTS (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 & 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, 2025 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>32,973</u>
Total	\$ <u><u>32,973</u></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>32,973</u>	\$ <u>32,973</u>
Total	\$ <u><u>32,973</u></u>	\$ <u><u>32,973</u></u>

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2025

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, 2025

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	98
Inactive members:	
Vested inactive members	25
Non-vested inactive members	103
Inactive members active elsewhere in VRS	<u>41</u>
Total inactive members	169
Active members	<u>112</u>
Total covered employees	<u><u>379</u></u>

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2025

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, 2025 was 4.70% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$300,828 and \$279,876 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$43,964 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$43,642 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$87,606 for the year ended June 30, 2025.

Net Pension Liability/(Asset)

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

The remainder of this page left blank intentionally.

EASTERN SHORE COMMUNITY SERVICES BOARD

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

NOTE 3 - PENSION PLAN (CONTINUED)

Actuarial Assumptions - General Employees

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

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

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

EASTERN SHORE COMMUNITY SERVICES BOARD

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

NOTE 3 - PENSION PLAN (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: (Continued)

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

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

The remainder of this page left blank intentionally.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2025

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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	<u>100.00%</u>		<u>7.07%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>9.57%</u>

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

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

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2025

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. For the year ended June 30, 2024, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at June 30, 2023	\$ 22,910,016	\$ 22,999,075	\$ (89,059)
Changes for the year:			
Service cost	\$ 392,117	\$ -	\$ 392,117
Interest	1,534,432	-	1,534,432
Differences between expected and actual experience	511,177	-	511,177
Contributions - employer	-	279,516	(279,516)
Contributions - employee	-	246,361	(246,361)
Net investment income	-	2,215,156	(2,215,156)
Benefit payments, including refunds			
Refunds of employee contributions	(1,139,607)	(1,139,607)	-
Administrative expenses	-	(14,967)	14,967
Other changes	-	447	(447)
Net changes	\$ 1,298,119	\$ 1,586,906	\$ (288,787)
Balances at June 30, 2024	\$ 24,208,135	\$ 24,585,981	\$ (377,846)

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2025

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:

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Board's Net Pension Liability/(Asset) \$	2,387,977	\$ (377,846)	\$ (2,691,035)

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

For the year ended June 30, 2025, the Board recognized pension expense of (\$256,381). At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Differences between expected and actual experience \$	261,822	\$ 14,421
Net difference between projected and actual earnings on pension plan investments	-	653,895
Employer contributions subsequent to the measurement date	300,828	-
Total	\$ <u>562,650</u>	\$ <u>668,316</u>

\$300,828 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2026	\$ (341,347)
2027	196,881
2028	(125,243)
2029	(136,785)
2030	-
Thereafter	-

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued) As of June 30, 2025

NOTE 3 - PENSION PLAN (CONTINUED)

Pension Plan Data

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

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 \$9,254 as of June 30, 2025.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2025

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 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18 x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025 was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$30,083 and \$30,721 for the years ended June 30, 2025 and June 30, 2024, respectively.

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

At June 30, 2025, the entity reported a liability of \$247,288 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was .02216% as compared to .02111% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of (\$4,580). 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, 2025

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,003	\$ 6,040
Net difference between projected and actual earnings on GLI OPEB plan investments	-	20,844
Change in assumptions	1,410	12,255
Changes in proportionate share	10,823	31,513
Employer contributions subsequent to the measurement date	<u>30,083</u>	<u>-</u>
Total	<u>\$ 81,319</u>	<u>\$ 70,652</u>

\$30,083 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2026	\$ (20,349)
2027	(4,463)
2028	(4,086)
2029	3,741
2030	5,741
Thereafter	-

EASTERN SHORE COMMUNITY SERVICES BOARD

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

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, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024. The assumptions include several employer groups 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, 2025**

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

Actuarial Assumptions (Continued)

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

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the 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, 2024, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

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

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

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2025

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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	<u>100.00%</u>		<u>7.07%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>9.57%</u>

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

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

The remainder of this page left blank intentionally.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2025

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, 2024, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Board's proportionate share of the GLI Plan Net OPEB Liability	\$ 384,565	\$ 247,288	\$ 136,386

GLI Plan Fiduciary Net Position

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

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, 2025, 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, 2025

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, 2025****NOTE 7 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2025 is presented below:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
<i>Eastern Shore Community Services Board:</i>				
Capital assets subject to depreciation:				
Computer equipment	\$ 648,779	\$ 5,545	\$ -	\$ 654,324
Leasehold improvements	42,234	-	-	42,234
Office furniture and equipment	165,931	-	-	165,931
Software	972,415	-	-	972,415
Vehicles	1,057,601	110,779	11,000	1,157,380
Subscription assets	102,763	-	-	102,763
Lease equipment	77,275	-	-	77,275
Total capital assets subject to depreciation	<u>\$3,066,998</u>	<u>\$ 116,324</u>	<u>\$ 11,000</u>	<u>\$3,172,322</u>
Less accumulated depreciation for:				
Computer equipment	\$ 576,600	\$ 43,534	\$ -	\$ 620,134
Leasehold improvements	27,701	948	-	28,649
Office furniture and equipment	158,621	6,099	-	164,720
Software	963,961	6,487	-	970,448
Vehicles	466,863	145,022	11,000	600,885
Subscription assets	76,435	26,328	-	102,763
Lease equipment	19,319	15,454	-	34,773
Total accumulated depreciation	<u>\$2,289,500</u>	<u>\$ 243,872</u>	<u>\$ 11,000</u>	<u>\$2,522,372</u>
Total capital assets subject to depreciation, net	<u>\$ 777,498</u>	<u>\$ (127,548)</u>	<u>\$ -</u>	<u>\$ 649,950</u>
ESCSB capital assets, net	<u>\$ 777,498</u>	<u>\$ (127,548)</u>	<u>\$ -</u>	<u>\$ 649,950</u>
<i>Component Unit- Mendisadd, Inc.:</i>				
Capital assets not subject to depreciation:				
Land	\$ 547,980	\$ -	\$ 24,848	\$ 523,132
Construction in progress	55,150	201,723	131,834	125,039
Total capital assets not subject to depreciation	<u>\$ 603,130</u>	<u>\$ 201,723</u>	<u>\$ 156,682</u>	<u>\$ 648,171</u>
Capital assets subject to depreciation:				
Equipment	\$ 302,591	\$ 15,900	\$ -	\$ 318,491
Buildings and improvements	4,815,633	367,821	155,526	5,027,928
Total capital assets subject to depreciation	<u>\$5,118,224</u>	<u>\$ 383,721</u>	<u>\$ 155,526</u>	<u>\$5,346,419</u>
Less accumulated depreciation for:				
Equipment	\$ 251,298	\$ 12,246	\$ -	\$ 263,544
Buildings and improvements	3,302,759	140,475	76,985	3,366,249
Total accumulated depreciation	<u>\$3,554,057</u>	<u>\$ 152,721</u>	<u>\$ 76,985</u>	<u>\$3,629,793</u>
Total capital assets subject to depreciation, net	<u>\$1,564,167</u>	<u>\$ 231,000</u>	<u>\$ 78,541</u>	<u>\$1,716,626</u>
Mendisadd, Inc. capital assets, net	<u>\$2,167,297</u>	<u>\$ 432,723</u>	<u>\$ 235,223</u>	<u>\$2,364,797</u>
Total reporting entity capital assets, net	<u>\$2,944,795</u>	<u>\$ 305,175</u>	<u>\$ 235,223</u>	<u>\$3,014,747</u>

EASTERN SHORE COMMUNITY SERVICES BOARD

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

NOTE 8 - LEASES RECEIVABLE

The Board leases land and rights-of-way for communication towers under lease contracts. In fiscal year 2025, the Board recognized principal and interest revenue in the amount of \$4,151 and \$22, respectively. There were no outstanding leases receivable at June 30, 2025.

NOTE 9 - LOCAL GOVERNMENT CONTRIBUTIONS BY PARTICIPANT

The participating localities contributed the following for the fiscal year ended June 30, 2025:

County of Accomack	\$	218,524
County of Northampton		84,743
Total	\$	<u>303,267</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A summary of long-term obligation transactions of the Board for the year ended June 30, 2025 is as follows:

	Amounts payable at July 1, 2024	GASB 101 Adjustments	Adjusted Amounts payable at July 1, 2024	Increases	Decreases	Amounts payable at June 30, 2025	Amounts due within one year
Compensated Absences*	\$ 709,204	\$ 654,202	\$ 1,363,406	\$ 60,284	\$ -	\$ 1,423,690	\$ 142,369
Note Payable from Direct Borrowing	234,382	-	234,382	-	234,382	-	-
Net OPEB Liability	253,175	-	253,175	126,512	132,399	247,288	-
Subscription Liabilities	23,975	-	23,975	-	23,975	-	-
Lease Liabilities	58,776	-	58,776	-	15,107	43,669	15,512
Total	<u>\$ 1,279,512</u>	<u>\$ 654,202</u>	<u>\$ 1,933,714</u>	<u>\$ 186,796</u>	<u>\$ 405,863</u>	<u>\$ 1,714,647</u>	<u>\$ 157,881</u>

*The change in compensated absences above is a net change for the year.

The remainder of this page left blank intentionally.

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2025

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>
Lease Liabilities:	
\$9,328 copier lease, due in monthly installments of \$166 through March 2028, interest at 2.654%	\$ 5,271
\$5,597 copier lease, due in monthly installments of \$100 through March 2028, interest at 2.654%	3,163
\$9,328 copier lease, due in monthly installments of \$166 through March 2028, interest at 2.654%	5,271
\$2,067 copier lease, due in monthly installments of \$37 through March 2028, interest at 2.654%	1,168
\$9,328 copier lease, due in monthly installments of \$166 through March 2028, interest at 2.654%	5,271
\$2,434 copier lease, due in monthly installments of \$43 through March 2028, interest at 2.654%	1,377
\$20,519 copier lease, due in monthly installments of \$365 through March 2028, interest at 2.654%	11,595
\$18,674 copier lease, due in monthly installments of \$332 through March 2028, interest at 2.654%	<u>10,553</u>
Total Lease Liabilities	\$ 43,669
Net OPEB Liability	\$ 247,288
Compensated Absences	<u>\$ 1,423,690</u>
Total Long-Term Obligations	<u>\$ 1,714,647</u>

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2025

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

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

Year Ending June 30	CSB	
	Lease Liabilities	
	Principal	Interest
2026	\$ 15,512	\$ 971
2027	15,929	554
2028	12,228	136
Total	\$ <u>43,669</u>	\$ <u>1,661</u>

The Board has a \$250,000 revolving line of credit. At June 30, 2025, the Board's outstanding balance against the line of credit was \$0 and there were no draws during the year.

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:

State Revenue:	
MH grants	\$ 1,023,757
DS grants	24,937
HR grants	142
SUD grants	502,373
Federal Revenue:	
ARPA grants	15,035
SUD grants	12,757
	\$ <u>1,579,001</u>

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2025

NOTE 12 - LOCAL CONTRIBUTIONS

The Board receives local contributions from Northampton County and Accomack County, with budgeted contributions of \$84,743 and \$218,524, respectively.

NOTE 13 - UPCOMING PRONOUNCEMENTS

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

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

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

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

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2025, the Board implemented GASB Statement No. 101, *Compensated Absences*. This Statement establishes recognition and measurement guidance for compensated absences that are attributable to services already rendered and that are expected to be paid or settled. Implementation of this Statement required the recognition of a liability for certain leave benefits previously unrecorded or measured differently under prior standards. The adoption of GASB 101 resulted in the restatement of beginning net position as shown in Note 15 below.

NOTE 15 - RESTATEMENT OF BEGINNING BALANCES

The beginning net position as of July 1, 2024, has been restated to reflect the cumulative effect of implementing GASB Statement No. 101, *Compensated Absences*.

The impact of these adjustments on beginning net position is as follows:

Net position, July 1, 2024, as previously stated	\$	4,623,939
Implementation of GASB 101:		
Recalculation of compensated absences		<u>(654,202)</u>
Net position, July 1, 2024, as restated	\$	<u>3,969,737</u>

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Financial Statements (Continued)
As of June 30, 2025

NOTE 16 - CONSTRUCTION CONTRACTS

The Board entered into a \$543,225 construction contract for renovations at one the Board's properties. As of June 30, 2025, the outstanding balance is \$543,225, including \$125,039 that was payable.

EASTERN SHORE COMMUNITY SERVICES BOARD

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan

For the Measurement Dates June 30, 2015 through June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total pension liability			
Service cost	\$ 392,117	\$ 352,779	\$ 337,310
Interest	1,534,432	1,518,371	1,488,604
Differences between expected and actual experience	511,177	(495,107)	(191,616)
Changes of assumptions	-	-	-
Benefit payments	(1,139,607)	(1,215,274)	(1,202,280)
Net change in total pension liability	\$ 1,298,119	\$ 160,769	\$ 432,018
Total pension liability - beginning	22,910,016	22,749,247	22,317,229
Total pension liability - ending (a)	\$ <u>24,208,135</u>	\$ <u>22,910,016</u>	\$ <u>22,749,247</u>
Plan fiduciary net position			
Contributions - employer	\$ 279,516	\$ 246,125	\$ 276,902
Contributions - employee	246,361	216,791	207,287
Net investment income	2,215,156	1,424,441	(14,579)
Benefit payments	(1,139,607)	(1,215,274)	(1,202,280)
Administrator charges	(14,967)	(14,510)	(14,505)
Other	447	569	525
Net change in plan fiduciary net position	\$ 1,586,906	\$ 658,142	\$ (746,650)
Plan fiduciary net position - beginning	22,999,075	22,340,933	23,087,583
Plan fiduciary net position - ending (b)	\$ <u>24,585,981</u>	\$ <u>22,999,075</u>	\$ <u>22,340,933</u>
Board's net pension liability/(asset) - ending (a) - (b)	\$ (377,846)	\$ (89,059)	\$ 408,314
Plan fiduciary net position as a percentage of the total pension liability	101.56%	100.39%	98.21%
Covered payroll	\$ 5,683,941	\$ 4,964,121	\$ 4,695,234
Board's net pension liability/(asset) as a percentage of covered payroll	-6.65%	-1.79%	8.70%

2021	2020	2019	2018	2017	2016	2015
\$ 391,400	\$ 456,516	\$ 443,631	\$ 443,060	\$ 462,023	\$ 487,979	\$ 496,973
1,381,485	1,333,711	1,296,671	1,236,376	1,202,747	1,148,526	1,104,668
(84,935)	(76,725)	(121,303)	97,089	(230,377)	(67,126)	(247,395)
688,461	-	564,617	-	(85,193)	-	-
(1,051,251)	(960,226)	(937,388)	(892,953)	(844,618)	(744,969)	(710,434)
\$ 1,325,160	\$ 753,276	\$ 1,246,228	\$ 883,572	\$ 504,582	\$ 824,410	\$ 643,812
20,992,069	20,238,793	18,992,565	18,108,993	17,604,411	16,780,001	16,136,189
<u>\$ 22,317,229</u>	<u>\$ 20,992,069</u>	<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>
\$ 297,818	\$ 296,704	\$ 294,505	\$ 328,849	\$ 328,079	\$ 417,369	\$ 421,399
221,039	238,332	231,450	231,102	227,912	218,246	263,147
5,040,077	355,675	1,182,582	1,251,849	1,869,763	266,474	671,135
(1,051,251)	(960,226)	(937,388)	(892,953)	(844,618)	(744,969)	(710,434)
(12,716)	(12,214)	(11,842)	(10,870)	(10,859)	(9,443)	(9,077)
474	(419)	(745)	(1,112)	(1,662)	(113)	(142)
\$ 4,495,441	\$ (82,148)	\$ 758,562	\$ 906,865	\$ 1,568,615	\$ 147,564	\$ 636,028
18,592,142	18,674,290	17,915,728	17,008,863	15,440,248	15,292,684	14,656,656
<u>\$ 23,087,583</u>	<u>\$ 18,592,142</u>	<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>
\$ (770,354)	\$ 2,399,927	\$ 1,564,503	\$ 1,076,837	\$ 1,100,130	\$ 2,164,163	\$ 1,487,317
103.45%	88.57%	92.27%	94.33%	93.92%	87.71%	91.14%
\$ 4,968,316	\$ 5,301,671	\$ 5,053,249	\$ 5,020,238	\$ 4,867,751	\$ 4,550,610	\$ 4,519,527
-15.51%	45.27%	30.96%	21.45%	22.60%	47.56%	32.91%

EASTERN SHORE COMMUNITY SERVICES BOARD

Schedule of Employer Contributions - Pension Plan

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

<u>Date</u>	<u>Contractually Required Contribution (1)*</u>	<u>Contributions in Relation to Contractually Required Contribution (2)*</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2025	\$ 300,828	\$ 300,828	\$ -	\$ 6,400,603	4.70%
2024	279,876	279,876	-	5,683,941	4.92%
2023	256,922	256,922	-	4,964,121	5.18%
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%

* 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, 2025

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

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

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

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

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, 2024

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 Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
(1)	(2)	(3)	(4)	(5)	(6)
2024	0.02216%	\$ 247,288	\$ 5,689,104	4.35%	73.41%
2023	0.02111%	253,175	4,973,197	5.09%	69.30%
2022	0.02170%	261,048	4,715,274	5.54%	67.21%
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, 2016 through June 30, 2025

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	\$ 30,083	\$ 30,083	\$ -	\$ 6,400,603	0.47%
2024	30,721	30,721	-	5,689,104	0.54%
2023	26,855	26,855	-	4,973,197	0.54%
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%

EASTERN SHORE COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information

Group Life Insurance (GLI) Plan

For the Year Ended June 30, 2025

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

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

Non-Largest Ten Locality Employers - General Employees

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

EASTERN SHORE COMMUNITY SERVICES BOARD

Combining Statement of Net Position

As of June 30, 2025

	ESCSB Operating Fund	Mendisadd, Inc. Fund	Inter- Company Eliminations	Total
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 7,748,539	\$ 1,303,833	\$ -	\$ 9,052,372
Client receivables (net of allowance for uncollectible accounts)	749,494	-	-	749,494
Due from other governmental unit	188,750	-	-	188,750
Grant receivable	53,275	-	-	53,275
Notes receivable	101,862	8,520	(12,681)	97,701
Prepaid items	350,191	-	-	350,191
Total current assets	\$ 9,192,111	\$ 1,312,353	\$ (12,681)	\$ 10,491,783
Noncurrent Assets:				
Notes receivable, less current portion	\$ 164,965	\$ 20,826	\$ (44,358)	\$ 141,433
Net pension asset	377,846	-	-	377,846
Capital Assets:				
Land	\$ -	\$ 523,132	\$ -	\$ 523,132
Construction in progress	-	125,039	-	125,039
Other capital assets, less accumulated depreciation	649,950	1,716,626	-	2,366,576
Total capital assets	\$ 649,950	\$ 2,364,797	\$ -	\$ 3,014,747
Total noncurrent assets	\$ 1,192,761	\$ 2,385,623	\$ (44,358)	\$ 3,534,026
Total assets	\$ 10,384,872	\$ 3,697,976	\$ (57,039)	\$ 14,025,809
Deferred Outflows of Resources:				
Pension related items	\$ 562,650	\$ -	\$ -	\$ 562,650
OPEB related items	81,319	-	-	81,319
Total deferred outflows of resources	\$ 643,969	\$ -	\$ -	\$ 643,969
Liabilities:				
Current Liabilities:				
Accounts payable	\$ 170,401	\$ 125,038	\$ -	\$ 295,439
Accrued expenses	349,345	-	-	349,345
Unearned revenues	1,579,001	-	-	1,579,001
Current portion of compensated absences	142,369	-	-	142,369
Current portion of note payable	-	12,681	(12,681)	-
Current portion of lease liabilities	15,512	-	-	15,512
Total current liabilities	\$ 2,256,628	\$ 137,719	\$ (12,681)	\$ 2,381,666
Long-Term Liabilities:				
Compensated absences, less current portion	\$ 1,281,321	\$ -	\$ -	\$ 1,281,321
Notes payable, less current portion	-	44,358	(44,358)	-
Lease liabilities, less current portion	28,157	-	-	28,157
Net OPEB liability	247,288	-	-	247,288
Total long-term liabilities	\$ 1,556,766	\$ 44,358	\$ (44,358)	\$ 1,556,766
Total liabilities	\$ 3,813,394	\$ 182,077	\$ (57,039)	\$ 3,938,432
Deferred Inflows of Resources:				
Pension related items	\$ 668,316	\$ -	\$ -	\$ 668,316
OPEB related items	70,652	-	-	70,652
Total deferred inflows of resources	\$ 738,968	\$ -	\$ -	\$ 738,968
Net Position:				
Net investment in capital assets	\$ 606,281	\$ 2,432,797	\$ 57,039	\$ 3,096,117
Restricted - net pension asset	377,846	-	-	377,846
Unrestricted	5,492,352	1,083,102	(57,039)	6,518,415
Total net position	\$ 6,476,479	\$ 3,515,899	\$ -	\$ 9,992,378

EASTERN SHORE COMMUNITY SERVICES BOARD

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

	ESCSB Operating Fund	Mendisadd Inc. Fund	Inter- Company Eliminations	Total
Operating revenues:				
Client service and other fees	\$ 6,230,821	\$ -	\$ -	\$ 6,230,821
Rental income	-	367,140	(367,140)	-
Total operating revenues	<u>\$ 6,230,821</u>	<u>\$ 367,140</u>	<u>\$ (367,140)</u>	<u>\$ 6,230,821</u>
Operating expenses:				
Personnel	\$ 8,816,608	\$ -	\$ -	\$ 8,816,608
Staff development	190,391	-	-	190,391
Facility charges	1,677,533	193,305	(367,140)	1,503,698
Travel	19,382	-	-	19,382
Consultants and other professional services	2,511,175	-	-	2,511,175
Other charges	1,029,995	-	-	1,029,995
Depreciation	243,872	152,721	-	396,593
Total operating expenses	<u>\$ 14,488,956</u>	<u>\$ 346,026</u>	<u>\$ (367,140)</u>	<u>\$ 14,467,842</u>
Operating income (loss)	<u>\$ (8,258,135)</u>	<u>\$ 21,114</u>	<u>\$ -</u>	<u>\$ (8,237,021)</u>
Nonoperating revenues (expenses):				
Commonwealth of Virginia, including pass-through grants of \$1,275,638 from the federal government	\$ 8,930,837	\$ -	\$ -	\$ 8,930,837
Local governments	303,267	-	-	303,267
Other agencies	217,439	-	-	217,439
Interest income	601,205	13,480	(3,024)	611,661
Gain (loss) on disposition of property	-	146,611	-	146,611
PPP employee retention credit	1,457,694	-	-	1,457,694
Interest expense	(1,565)	(12,419)	3,024	(10,960)
Total nonoperating revenues (expenses)	<u>\$ 11,508,877</u>	<u>\$ 147,672</u>	<u>\$ -</u>	<u>\$ 11,656,549</u>
Transfers:				
Interfund transfers	<u>\$ (744,000)</u>	<u>\$ 744,000</u>	<u>\$ -</u>	<u>\$ -</u>
Change in net position	<u>\$ 2,506,742</u>	<u>\$ 912,786</u>	<u>\$ -</u>	<u>\$ 3,419,528</u>
Net position at beginning of year, as previously reported	4,623,939	2,603,113	-	7,227,052
Restatement	(654,202)	-	-	(654,202)
Net position at beginning of year, as restated	<u>3,969,737</u>	<u>2,603,113</u>	<u>-</u>	<u>6,572,850</u>
Net position at end of year	<u>\$ 6,476,479</u>	<u>\$ 3,515,899</u>	<u>\$ -</u>	<u>\$ 9,992,378</u>

EASTERN SHORE COMMUNITY SERVICES BOARD

Combining Statement of Cash Flows

Year Ended June 30, 2025

	ESCSB Operating Fund	Mendisadd, Inc. Fund	Inter- Company Eliminations	Total
Cash flows from operating activities:				
Receipts from clients' fees and other providers	\$ 5,588,371	\$ (350)	\$ -	\$ 5,588,021
Rent of property	-	366,895	(367,140)	(245)
Payments to suppliers	(5,072,962)	(68,315)	367,140	(4,774,137)
Payments to and for employees	(9,557,610)	-	-	(9,557,610)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used for) operating activities	\$ (9,042,201)	\$ 298,230	\$ -	\$ (8,743,971)
Cash flows from noncapital and related financing activities:				
Government and other agencies	\$ 9,507,977	\$ -	\$ -	\$ 9,507,977
PPP Employee retention credit	1,457,694	-	-	1,457,694
Interfund transfers	(744,000)	744,000	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used for) noncapital and related financing activities	\$ 10,221,671	\$ 744,000	\$ -	\$ 10,965,671
Cash flows from capital and related financing activities:				
Purchase of capital assets	\$ (116,324)	\$ (453,610)	\$ -	\$ (569,934)
Proceeds from sale of capital assets	-	250,000	-	250,000
Principal payments on long-term obligations	(39,082)	-	-	(39,082)
Principal payments on note payable	-	(246,475)	12,093	(234,382)
Interest paid on leases and notes payable	(1,565)	(12,419)	3,024	(10,960)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used for) capital and related financing activities	\$ (156,971)	\$ (462,504)	\$ 15,117	\$ (604,358)
Cash flows from investing activities:				
Interest received	\$ 601,205	\$ 13,480	\$ (3,024)	\$ 611,661
Issuance of note receivable	(190,389)	-	-	(190,389)
Principal received on notes receivable	12,694	1,833	(12,093)	2,434
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used for) investing activities	\$ 423,510	\$ 15,313	\$ (15,117)	\$ 423,706
Net increase (decrease) in cash and cash equivalents	\$ 1,446,009	\$ 595,039	\$ -	\$ 2,041,048
Cash and cash equivalents, beginning of year	<u>6,302,530</u>	<u>708,794</u>	<u>-</u>	<u>7,011,324</u>
Cash and cash equivalents, end of year	<u>\$ 7,748,539</u>	<u>\$ 1,303,833</u>	<u>\$ -</u>	<u>\$ 9,052,372</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (8,258,135)	\$ 21,114	\$ -	\$ (8,237,021)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	243,872	152,721	-	396,593
Changes in assets, liabilities, and deferred inflows/outflows of resources:				
(Increase)/decrease in accounts receivable	355,147	-	-	355,147
(Increase)/decrease in lease receivable	-	4,151	-	4,151
(Increase)/decrease in prepaid items	(129,800)	-	-	(129,800)
(Increase)/decrease in deferred outflows of resources	(302,347)	-	-	(302,347)
(Increase)/decrease in net pension asset	(288,787)	-	-	(288,787)
Increase/(decrease) in compensated absences	60,284	-	-	60,284
Increase/(decrease) in accounts payable	110,577	124,990	-	235,567
Increase/(decrease) in unearned revenues	(997,597)	(350)	-	(997,947)
Increase/(decrease) in net OPEB liability	(5,887)	-	-	(5,887)
Increase/(decrease) in deferred inflows of resources	5,508	(4,396)	-	1,112
Increase/(decrease) in other accrued expenses	164,964	-	-	164,964
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used for) operating activities	\$ (9,042,201)	\$ 298,230	\$ -	\$ (8,743,971)



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
TASLEY, 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, 2025 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 January 21, 2026.

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. 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.

Robinson, Fournier, Cox Associates

Richmond, Virginia
January 21, 2026



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

**TO THE BOARD OF DIRECTORS
EASTERN SHORE COMMUNITY SERVICES BOARD
TASLEY, 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, 2025. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of 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.

Robinson, Fournier, Cox Associates

Richmond, Virginia
January 21, 2026

EASTERN SHORE COMMUNITY SERVICES BOARD

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

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Department of the Treasury: Pass Through Payments: Virginia 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: Virginia Department of Behavioral Health and Developmental Services: Special Education - Grants for Infants and Families	84.181	445007-43080 & 445007-43081	\$ <u>56,794</u>
Department of Health and Human Services: Pass Through Payments: Virginia Department of Behavioral Health and Developmental Services: Block Grants for Community Mental Health Services COVID-19 Block Grants for Community Mental Health Services	93.958 93.958	2B09SM010053-19	\$ 112,901 2,975
Block Grants for Prevention and Treatment of Substance Abuse COVID-19 Block Grants for Prevention and Treatment of Substance Abuse	93.959 93.959	2B08TI010053-19	466,455 78,370
Opioid STR	93.788	5H79TI081682-02	<u>495,643</u>
Total Department of Health and Human Services			\$ <u>1,156,344</u>
Total Expenditures of Federal Awards			\$ <u><u>1,275,638</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, 2025**

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, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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 15-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - Relationship to Financial Statements

Total federal expenditures per basic financial statements	<u>\$ 1,275,638</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,275,638</u></u>

EASTERN SHORE COMMUNITY SERVICES BOARD

**Schedule of Findings and Questioned Costs
As of June 30, 2025**

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified
Internal control over financial reporting:
Material weakness(es) identified? _____ yes 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

Name of Federal Program or Cluster
Block Grants for Prevention and
Treatment of Substance Abuse

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

Auditee qualified as low-risk auditee? yes _____ no

EASTERN SHORE COMMUNITY SERVICES BOARD

Schedule of Findings and Questioned Costs (Continued)
As of June 30, 2025

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

Section IV - Prior Year Findings

None