



# Financial Report

June 30, 2025

# Region Ten Community Services Board

## Contents

### Introductory Section

|                                       |    |
|---------------------------------------|----|
| Directory of Principal Officials..... | i  |
| Organizational Chart .....            | ii |

### Financial Section

|                                                                        |    |
|------------------------------------------------------------------------|----|
| Independent Auditor's Report .....                                     | 1  |
| Management's Discussion and Analysis.....                              | 5a |
| Basic Financial Statements                                             |    |
| Statement of Net Position.....                                         | 6  |
| Statement of Revenues, Expenses, and Changes in Fund Net Position..... | 8  |
| Statement of Cash Flows.....                                           | 9  |
| Notes to Financial Statements .....                                    | 11 |

### Required Supplementary Information

|                                                                       |    |
|-----------------------------------------------------------------------|----|
| Schedule of Changes in Net Pension Liability and Related Ratios ..... | 35 |
| Schedule of Pension Contributions .....                               | 36 |
| Schedule of Employer's Share of Net OPEB Liability – VRS GLI .....    | 37 |
| Schedule of OPEB Contributions – VRS GLI .....                        | 38 |
| Notes to Required Supplementary Information .....                     | 39 |

### Other Supplementary Information

|                                                                                   |    |
|-----------------------------------------------------------------------------------|----|
| Combining Statement of Net Position .....                                         | 40 |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Position ..... | 41 |
| Combining Statement of Cash Flows .....                                           | 42 |

### Compliance Section

|                                                                                                                                                                                                                                       |    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Independent Auditor's Report on Internal Control over Financial Reporting and<br>on Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> ..... | 44 |
| Summary of Compliance Matters .....                                                                                                                                                                                                   | 46 |
| Schedule of Findings and Responses.....                                                                                                                                                                                               | 47 |



# Introductory Section



# Region Ten Community Services Board

## Directory of Principal Officials

June 30, 2025

### Board of Directors

Barbara Barrett, Chair

David Oppen, Vice-Chair

Patricia Heggie, Secretary

Dr. Barry Blumenthal

Francesca Diggs

Stephen Wunsh

Mary Katherine King

Dr. Joe Mason

Peggy Whitehead

Alex Stott

Joseph Szakos

Wendy Mitchem

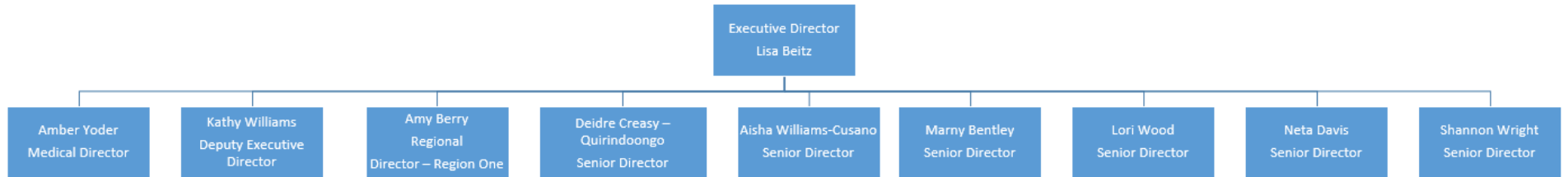
### Principal Management Team

Lisa Beitz .....Executive Director  
Kathy Williams .....Deputy Executive Director  
Marny Bentley..... Senior Director of Clinical Operations  
Shannon Wright ..... Senior Director of Rural Services & Community Based Services  
Aisha Williams-Cusano..... Senior Director of Adult Developmental Services  
Neta Davis ..... Senior Director of Child and Family and Adult Clinical Services  
Lori Wood..... Senior Director of Emergency and Short-Term Stabilization Services  
Amber Yoder ..... Medical Director  
Amy Berry.....Senior Director Region One Regional Initiatives  
Deidre Creasy-Quirindoongo .....Senior Director of Adult Rehabilitative Services

# Region Ten Community Services Board

## Organizational Chart

June 30, 2025





# Financial Section

---

## **Independent Auditor's Report**

To the Board of Directors  
Region Ten Community Services Board  
Charlottesville, Virginia

### **Report on the Financial Statements**

#### *Opinion*

We have audited the accompanying financial statements of Region Ten Community Services Board (the "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 Board, as of June 30, 2025, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Change in Accounting Principle*

As described in Note 1 to the financial statements, in 2025, the Board adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the

basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying combining financial statements 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 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 auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

### **Report on Summarized Comparative Information**

We have previously audited the Board's 2024 financial statements, and our report dated November 6, 2024, expressed an unmodified opinion on those financial statements. The 2024 financial information is provided for comparative purposes only. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2025 on our consideration of the 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 to solely 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
December 29, 2025

# **Region Ten Community Services Board**

## **Management's Discussion and Analysis**

**Year Ended June 30, 2025**

This Management's Discussion and Analysis is intended to be objective and easily readable information that will supplement the basic financial statements. It represents an opportunity for Region Ten Community Services Board (CSB or RTCSB) management to present an examination of the Board's short-term and long-term financial condition. This analysis will emphasize current year transactions and results, in comparison with the prior year, and is based on facts, decisions, and conditions that were known as of the date of the auditor's report.

### **FISCAL YEAR 2025 HIGHLIGHTS**

- Region Ten served more than 8,000 individuals in Charlottesville, Albemarle, Fluvanna, Louisa, Greene and Nelson counties.
- Region Ten celebrated the opening of the Louisa Clinic.
- Construction is almost completed on the REACH CTH group home in Augusta County which serves our Region.
- Region Ten received additional funding from the Department of Behavioral Health and Developmental Services for a Crisis Receiving Center (CRC) to meet the increasing need for acute care and divert individuals from hospital emergency departments.
- Region Ten started three new programs to serve the community including a Mental Health Intensive Outpatient Program (MH IOP), Mobile Crisis and Women's Center SUD residential services.
- Region Ten continued to serve as Region One's Fiscal Agent.

### **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The Board's annual financial report consists of three basic financial statements: a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows. For ease of presentation, all statements are in a condensed format.

**Net Position.** The Statement of Net Position reflects, as of the last day of the fiscal year, the assets (cash and other property) owned and liabilities (debts and other obligations) owed by the Board. The difference between total assets and deferred outflows and total liabilities and deferred inflows determines the net position (equity), which is generally perceived as a measure of financial solvency.

# Region Ten Community Services Board

## Management's Discussion and Analysis

Year Ended June 30, 2025

A summary of Board's Statement of Net Position for 2025 and 2024 is presented below:

| Condensed Statement of Net Position          |               |               |  |
|----------------------------------------------|---------------|---------------|--|
|                                              | 2025          | 2024          |  |
| Assets                                       |               |               |  |
| Current assets                               | \$ 60,275,642 | \$ 48,734,945 |  |
| Capital assets                               | 42,405,681    | 28,292,423    |  |
| Other non-current assets                     | 8,993,484     | 10,828,468    |  |
| Total Assets                                 | 111,674,807   | 87,855,836    |  |
| Deferred Outflows of Resources               | 2,936,967     | 784,978       |  |
| Liabilities                                  |               |               |  |
| Current Liabilities                          | 42,112,336    | 29,010,518    |  |
| Long-Term Liabilities (less current portion) | 14,447,564    | 9,278,136     |  |
| Total Liabilities                            | 56,559,900    | 38,288,654    |  |
| Deferred Inflows of Resources                | 2,366,191     | 2,161,660     |  |
| Net Position                                 | \$ 55,685,683 | \$ 48,190,500 |  |

The Board presents an improved financial position over last year. Net position increased by approximately 16%.

# Region Ten Community Services Board

## Management's Discussion and Analysis

Year Ended June 30, 2025

**Changes in net position.** The Statement of Revenues, Expenses, and Changes in Fund Net Position is a presentation of the amount of income generated (revenues) and resources consumed (expenses) during the fiscal year. The net difference between revenues and expenses represents the amount net position increased or decreased for the year. A summary of the Board's Statement of Revenues, Expenses, and Changes in Fund Net Position for 2025 and 2024 is presented below:

| Condensed Statement of Revenue, Expenses and Changes in Fund Net Position |               |               |
|---------------------------------------------------------------------------|---------------|---------------|
|                                                                           | 2025          | 2024          |
| Operating Revenue                                                         | \$ 22,835,741 | \$ 21,672,825 |
| Operating Expense                                                         | 65,186,491    | 66,398,508    |
| Operating Loss                                                            | (42,350,750)  | (44,725,683)  |
| Net Non-operating Revenue                                                 | 49,845,933    | 54,905,139    |
| Change in Net Position                                                    | \$ 7,495,183  | \$ 10,179,456 |

Change in net position reflects a decrease of approximately 26%.

# Region Ten Community Services Board

## Management's Discussion and Analysis

Year Ended June 30, 2025

**Cash Flows.** The Statement of Cash Flows indicates the net increase or decrease of cash resources for the Board during the year and the activities that produced the increase or decrease. The statement concludes with a reconciliation tying the beginning cash balance and results for the year to the ending balance. A summary of the Board's Statement of Cash Flows for 2025 and 2024 is presented below:

| Condensed Statement of Cash Flows                           |                 |                 |
|-------------------------------------------------------------|-----------------|-----------------|
|                                                             | 2025            | 2024            |
| Cash flows used in operating activities                     | \$ (40,697,011) | \$ (45,115,933) |
| Cash flows provided by non-capital financing activities     | 61,215,069      | 56,497,195      |
| Cash flows used in capital and related financing activities | (10,174,029)    | (3,595,117)     |
| Cash flows provided by investing activities                 | 1,158,834       | 679,753         |
| Net cash increase                                           | \$ 11,502,863   | \$ 8,465,898    |

The Board shows an \$11,502,863 increase in net cash from fiscal year 2024 to fiscal year 2025. The increase in net cash resulted in an overall net cash balance of \$57,131,574 for fiscal year 2025.

# **Region Ten Community Services Board**

## **Management's Discussion and Analysis**

**Year Ended June 30, 2025**

### **Capital Assets and Debt Administration**

#### **Capital Assets**

On June 30, 2025, the Region Ten Community Services Board had \$59,876,733 in capital assets less \$17,471,052 in accumulated depreciation and amortization (please see Note 4). Of the total capital assets (before accumulated depreciation and amortization), furniture and equipment (including software, vehicles, and right-to-use assets) constitute 8%, land (including construction in process) constitutes 14%, and buildings and improvements constitute the remaining 78%.

#### **Long-Term Debt**

Long-term obligations (including the current portion) - as of June 30, 2025, equaled \$16,605,001 (Please see Note 5). This is a net increase of \$6,072,108. The net change per category of long-term debt is as follows:

Notes Payable - reflects a net increase of \$5,578,291.

Compensated Absences – reflects an increase of \$348,049.

Lease Liabilities – reflects a decrease of \$29,917.

Subscription Liabilities – reflects an increase of \$175,685.

#### **Summary**

The Statement of Net Position shows net position increased by approximately 16%.

The Statement of Revenues, Expenses, and Changes in Fund Net Position show the net position of the Board increased \$7,495,183 during fiscal year 2025.

The Statement of Cash Flows shows that cash increased \$11,502,863 in fiscal year 2025.

#### **Request for Information**

This financial report is intended to provide a general overview of Region Ten Community Services Board's financial position for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Kelly Crickenberger, Fiscal Director of Accounting, Region Ten Community Services Board, 500 Old Lynchburg Road, Charlottesville, Virginia 22903.



# **Basic Financial Statements**

---

# Region Ten Community Services Board

## Statement of Net Position

June 30, 2025 and 2024

|                                                                                | 2025          | (For Comparative<br>Purposes Only)<br>2024 |
|--------------------------------------------------------------------------------|---------------|--------------------------------------------|
| <b>ASSETS</b>                                                                  |               |                                            |
| <b>CURRENT ASSETS</b>                                                          |               |                                            |
| Cash and cash equivalents (Note 2)                                             | \$ 24,773,001 | \$ 24,741,402                              |
| Accounts receivable, net (Note 3)                                              | 2,570,248     | 2,274,146                                  |
| Due from other governments                                                     | 422,873       | 460,469                                    |
| Other receivables                                                              | 4,174         | 7,059                                      |
| Prepaid expense and other                                                      | 146,773       | 161,026                                    |
| Interest rate swap asset (Note 5)                                              | -             | 203,534                                    |
| Cash and cash equivalents, restricted (Note 2)                                 | 32,358,573    | 20,887,309                                 |
| Total current assets                                                           | 60,275,642    | 48,734,945                                 |
| <b>NONCURRENT ASSETS</b>                                                       |               |                                            |
| Funds held by others (Note 2)                                                  | 547,461       | 497,291                                    |
| Net pension asset (Note 8)                                                     | 8,446,023     | 10,331,177                                 |
| Capital assets, net (Note 4)                                                   | 42,405,681    | 28,292,423                                 |
| Total noncurrent assets                                                        | 51,399,165    | 39,120,891                                 |
| Total assets                                                                   | 111,674,807   | 87,855,836                                 |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                          |               |                                            |
| Deferred outflows related to pensions (Note 8)                                 | 2,448,236     | 325,131                                    |
| Deferred outflows related to other postemployment<br>benefits (Notes 9 and 10) | 314,375       | 459,847                                    |
| Interest rate swaps (Note 5)                                                   | 174,356       | -                                          |
| Total deferred outflows of resources                                           | 2,936,967     | 784,978                                    |
| <b>LIABILITIES</b>                                                             |               |                                            |
| <b>CURRENT LIABILITIES</b>                                                     |               |                                            |
| Accounts payable                                                               | 2,404,555     | 1,597,820                                  |
| Accrued payroll and related liabilities                                        | 738,761       | 1,123,462                                  |
| Other liabilities                                                              | 151,270       | 37,005                                     |
| Amounts held for clients, payable from restricted assets                       | 3,401         | 49,938                                     |
| Unearned revenue (Notes 7 and 11)                                              | 35,454,457    | 23,585,233                                 |
| Interest rate swap liability (Note 5)                                          | 174,356       | -                                          |
| Current portion of long-term liabilities (Note 5 and 6)                        | 3,185,536     | 2,617,060                                  |
| Total current liabilities                                                      | 42,112,336    | 29,010,518                                 |
| <b>LONG-TERM LIABILITIES</b>                                                   |               |                                            |
| Other postemployment benefits (Notes 9 and 10)                                 | 1,028,099     | 1,362,303                                  |
| Long-term liabilities, noncurrent portion (Note 5 and 6)                       | 13,419,465    | 7,915,833                                  |
| Total long-term liabilities                                                    | 14,447,564    | 9,278,136                                  |
| Total liabilities                                                              | 56,559,900    | 38,288,654                                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                           |               |                                            |
| Deferred inflows related to pensions (Note 8)                                  | 2,079,053     | 1,137,337                                  |
| Deferred inflows related to other postemployment<br>benefits (Notes 9 and 10)  | 287,138       | 820,789                                    |
| Interest rate swaps (Note 5)                                                   | -             | 203,534                                    |
| Total deferred inflows of resources                                            | 2,366,191     | 2,161,660                                  |

# Region Ten Community Services Board

## Statement of Net Position

June 30, 2025 and 2024

|                                               | 2025                        | (For Comparative<br>Purposes Only)<br>2024 |
|-----------------------------------------------|-----------------------------|--------------------------------------------|
| <b>NET POSITION</b>                           |                             |                                            |
| Net investment in capital assets              | 26,588,845                  | 18,634,684                                 |
| Restricted                                    |                             |                                            |
| Annette Vail Memorial Trust                   | 10,000                      | 10,000                                     |
| Housing and Urban Development capital advance | 502,700                     | 502,700                                    |
| Pension                                       | 8,446,023                   | 10,331,177                                 |
| Unrestricted                                  | 20,138,115                  | 18,711,939                                 |
| Total net position                            | <u><u>\$ 55,685,683</u></u> | <u><u>\$ 48,190,500</u></u>                |

## Region Ten Community Services Board

### Statement of Revenues, Expenses, and Changes in Fund Net Position Years Ended June 30, 2025 and 2024

|                                                              | 2025                 | (For Comparative<br>Purposes Only)<br>2024 |
|--------------------------------------------------------------|----------------------|--------------------------------------------|
| OPERATING REVENUES                                           |                      |                                            |
| Net client service revenue (Note 13)                         | \$ 22,835,741        | \$ 21,672,825                              |
| OPERATING EXPENSES                                           |                      |                                            |
| Salaries and benefits                                        | 37,198,949           | 32,515,112                                 |
| Staff development and recruitment                            | 401,923              | 417,377                                    |
| Facility                                                     | 3,085,334            | 2,665,686                                  |
| Supplies                                                     | 1,059,571            | 2,206,329                                  |
| Travel                                                       | 354,990              | 386,386                                    |
| Contractual and professional services                        | 9,308,303            | 10,084,889                                 |
| Client services                                              | 12,007,502           | 16,662,343                                 |
| Depreciation and amortization                                | 1,582,324            | 1,337,668                                  |
| Other                                                        | 187,595              | 122,718                                    |
| Total operating expenses                                     | 65,186,491           | 66,398,508                                 |
| Operating loss                                               | (42,350,750)         | (44,725,683)                               |
| NONOPERATING REVENUES (EXPENSES)                             |                      |                                            |
| Commonwealth of Virginia grants                              | 40,705,017           | 43,862,422                                 |
| Federal grants                                               | 3,450,402            | 6,257,588                                  |
| Contributions from participating local governments (Note 14) | 2,499,658            | 2,526,161                                  |
| Interest income                                              | 1,158,834            | 679,753                                    |
| Loss on disposal of capital assets                           | -                    | (34,890)                                   |
| Unrealized gain funds held by others                         | 229,443              | 246,044                                    |
| Interest expense and other fees                              | (668,435)            | (353,339)                                  |
| Rental income (Note 6)                                       | 228,337              | 28,812                                     |
| Other income (Note 15)                                       | 2,242,677            | 1,692,588                                  |
| Net nonoperating revenues (expenses)                         | 49,845,933           | 54,905,139                                 |
| Change in net position                                       | 7,495,183            | 10,179,456                                 |
| NET POSITION AT JULY 1                                       | 48,190,500           | 38,011,044                                 |
| NET POSITION AT JUNE 30                                      | <u>\$ 55,685,683</u> | <u>\$ 48,190,500</u>                       |

# Region Ten Community Services Board

## Statement of Cash Flows Years Ended June 30, 2025 and 2024

|                                                                                      | 2025                 | (For Comparative<br>Purposes Only)<br>2024 |
|--------------------------------------------------------------------------------------|----------------------|--------------------------------------------|
| <b>OPERATING ACTIVITIES</b>                                                          |                      |                                            |
| Receipts from clients, private insurers, Medicaid, and others                        | \$ 22,539,639        | \$ 21,572,095                              |
| Payments to suppliers                                                                | (25,936,125)         | (32,277,622)                               |
| Payments to and for employees                                                        | (37,254,219)         | (34,327,126)                               |
| Other payments                                                                       | (46,306)             | (83,280)                                   |
| Net cash used in operating activities                                                | (40,697,011)         | (45,115,933)                               |
| <b>NON-CAPITAL FINANCING ACTIVITIES</b>                                              |                      |                                            |
| Contributions from local, state, and federal governments                             | 58,561,897           | 54,552,855                                 |
| Other receipts                                                                       | 2,653,172            | 1,944,340                                  |
| Net cash provided by non-capital financing activities                                | 61,215,069           | 56,497,195                                 |
| <b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                      |                      |                                            |
| Acquisition and construction of capital assets                                       | (14,713,580)         | (2,264,205)                                |
| Proceeds from the issuance of debt                                                   | 6,352,000            | -                                          |
| Principal paid on debt                                                               | (1,174,905)          | (960,617)                                  |
| Interest paid on debt                                                                | (637,544)            | (370,295)                                  |
| Net cash used in capital and related financing activities                            | (10,174,029)         | (3,595,117)                                |
| <b>INVESTING ACTIVITIES</b>                                                          |                      |                                            |
| Interest received                                                                    | 1,158,834            | 679,753                                    |
| Net increase in cash and cash equivalents                                            | 11,502,863           | 8,465,898                                  |
| <b>CASH AND CASH EQUIVALENTS</b>                                                     |                      |                                            |
| Beginning at July 1                                                                  | 45,628,711           | 37,162,813                                 |
| Ending at June 30                                                                    | <b>\$ 57,131,574</b> | <b>\$ 45,628,711</b>                       |
| <b>RECONCILIATION TO STATEMENT OF NET POSITION</b>                                   |                      |                                            |
| Cash and cash equivalents                                                            | \$ 24,773,001        | \$ 24,741,402                              |
| Cash and cash equivalents, restricted                                                | 32,358,573           | 20,887,309                                 |
|                                                                                      | <b>\$ 57,131,574</b> | <b>\$ 45,628,711</b>                       |
| <b>RECONCILIATION OF OPERATING LOSS TO NET<br/>CASH USED IN OPERATING ACTIVITIES</b> |                      |                                            |
| Operating loss                                                                       | \$ (42,350,750)      | \$ (44,725,683)                            |
| Adjustments to reconcile operating loss to<br>net cash used in operating activities: |                      |                                            |
| Depreciation and amortization                                                        | 1,582,324            | 1,337,668                                  |
| Pension expense net of employer contribution                                         | 703,765              | (743,905)                                  |
| Other postemployment expense net of employer contribution                            | (722,383)            | (958,035)                                  |
| (Increase) decrease in:                                                              |                      |                                            |
| Accounts receivable, net                                                             | (296,102)            | (100,730)                                  |
| Prepaid expenses and other                                                           | 14,253               | (161,026)                                  |

## Region Ten Community Services Board

### Statement of Cash Flows Years Ended June 30, 2025 and 2024

|                                                                                                                                 | 2025                          | (For Comparative<br>Purposes Only)<br>2024 |
|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------------------------------|
| Increase (decrease) in:                                                                                                         |                               |                                            |
| Accounts payable                                                                                                                | 371,697                       | 429,132                                    |
| Accrued payroll and related liabilities                                                                                         | (301,558)                     | (312,712)                                  |
| Security deposits payable – included in other liabilities                                                                       | 231                           | (107)                                      |
| Amounts held for clients, payable from restricted assets                                                                        | (46,537)                      | (83,173)                                   |
| Compensated absences – included in long-term liabilities                                                                        | 348,049                       | 202,638                                    |
| Net cash used in operating activities                                                                                           | <u><u>\$ (40,697,011)</u></u> | <u><u>\$ (45,115,933)</u></u>              |
| <b>SCHEDULE OF NON-CASH ACTIVITIES</b>                                                                                          |                               |                                            |
| Capital assets obtained through lease liabilities, subscription-based informational technology agreements, and accounts payable | <u><u>\$ 1,695,202</u></u>    | <u><u>\$ 1,045,107</u></u>                 |

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

---

### Note 1 – Summary of Significant Accounting Policies

---

#### *Financial Reporting Entity*

Region Ten Community Services Board (the “Board”) is a jointly governed entity that operates as an agent for the Counties of Albemarle, Nelson, Fluvanna, Greene, and Louisa, and the City of Charlottesville in the establishment and operation of community mental health disorders, developmental disabilities, and substance abuse programs as provided for in Chapter 5 of Title 37.2 of the *Code of Virginia* (1950), as amended, relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the Board provides treatment of community mental health disorders, developmental disabilities, and substance use disorders with a system of services that relate to, and are integrated with, existing and planned programs. Substantially all of the Board’s funding is from service fees, the Commonwealth of Virginia, the Federal Government, and the aforementioned localities.

#### *Blended Component Units*

The following blended component units, although legally separate entities, are in substance part of the Board’s operations, and so financial information from these units is combined with the financial statements of the Board. The Board can impose its will over these organizations and is financially accountable for them.

Region Ten Community Services Board, Inc. (“RTCSB, Inc.”) is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the *Internal Revenue Code (IRC)*. The members of the Board also serve as the Board of Directors for RTCSB, Inc. RTCSB, Inc. is responsible for receiving public support to establish, maintain, and promote the development of mental health, developmental disabilities, and substance abuse services and holding title to real and other property on behalf of the Board. The Board has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the *IRC*.

Pine Ridge Residence, Inc. (“Pine Ridge”) is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the *IRC*. Pine Ridge was organized to own and operate facilities for handicapped individuals as a Section 811 project under the National Affordable Housing Act.

#### *Measurement Focus and Basis of Accounting*

The Board is a governmental health care entity and follows the accounting and reporting practices of the Governmental Accounting Standards Board (GASB). The Board’s financial statements consist of a single enterprise fund, which includes the blended component units previously described, and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

# **Region Ten Community Services Board**

## **Notes to Financial Statements**

**June 30, 2025**

### *Use of Estimates*

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

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

### *Cash and Cash Equivalents*

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

### *Fair Value Measurements*

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

### *Valuation of Receivables*

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

### *Net Client Service Revenue*

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

### *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, amounts charged vary based on individual circumstances and unpaid balances are pursued to the extent of the client's ability to pay. The Board has established procedures for granting financial assistance in cases of hardship. The granting of financial assistance results in a substantial reduction and/or elimination of charges to individual clients. Because the Board does not pursue the collection of amounts determined to qualify for financial assistance, such amounts are not reported as revenue.

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

### *Capital Assets*

Capital assets include property and equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at date of donation. The costs of normal maintenance and repairs that do not materially add to the value of an asset or its life are expensed.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives or lease terms:

|                            |             |
|----------------------------|-------------|
| Buildings and improvements | 10-40 years |
| Furniture and equipment    | 3-10 years  |
| Software                   | 5 years     |
| Motor vehicles             | 5 years     |

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

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

### *Restricted Assets*

The Board segregates funds held on behalf of clients and for deposit reserves required by the U.S. Department of Housing and Urban Development (HUD) for replacement of property and other expenditures at Pine Ridge.

### *Funds Held by Others*

The Board is the beneficiary of funds that are held by the Charlottesville Area Community Foundation (CACF) and are invested on behalf of the Board. The Board of Directors can request all or a portion of these funds at any time for use for behavioral health programs. The funds will be held by CACF until such a request is made. The Board considers the carrying amount to be a Level 2 fair value measurement.

### *Interest Rate Swaps*

The Board entered into various interest rate swap agreements in order to convert variable rate debt to a fixed rate in order to hedge against the changes in cash flow requirements of its variable rate debt. The interest rate swaps are reflected at their fair value at June 30, 2025, with related debt being hedged reflected at carrying value. The change in fair value is reflected as a deferred outflow of resources.

### *Pensions and Other Postemployment Benefits (OPEB)*

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

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

### *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. These items represent a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. These items represent an acquisition of net assets applicable to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

The Board has the following items that qualify for reporting in these categories:

- Fair value of interest rate swaps may be reflected as a deferred inflow or outflow, as appropriate.
- Contributions subsequent to the measurement date for pensions and the OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability(asset) in the next fiscal year.
- Changes in proportionate share between measurement dates on the OPEB liability. This difference will be recognized in OPEB expense over the remaining service life of the employees subject to the plan, and is reflected as a deferred inflow or outflow as appropriate.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total net pension asset or OPEB liability. This difference will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan and may be reported as a deferred inflow or outflow as appropriate.
- Differences between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five-year period and may be reported as a deferred inflow or outflow as appropriate.
- Changes in assumptions on OPEB investments. This difference will be recognized in OPEB expense over the estimated remaining service life of employees subject to the plan and may be reported as a deferred inflow or outflow as appropriate.

### *Compensated Absences*

Employees are entitled to certain compensated absences based upon length of employment. Sick leave for employees who have been employed for five years or longer vests up to the lesser of \$5,000 or 25% of the sick leave balance. Other sick leave does not vest with the employee and is recorded as an expense when paid. Vacation and certain other compensated absences do vest with the employee. A provision for these vested compensated absences has been recorded in the financial statements. Because the timing of the use of the benefit is not estimable, all of the liability has been classified as current and is included in current portion of long-term liabilities on the statement of net position.

### *Rental Income*

RTCSB, Inc. owns various properties which are leased to the Board and others. Rental income is recognized as earned. Intercompany activity is eliminated from the financial statements.

### *Restricted Net Position*

Restricted net position represents the \$10,000 principal of the Annette Vail Memorial Trust, which has been permanently restricted by the donor, the \$502,700 of initial capital provided by HUD to establish and construct the Pine Ridge facility,

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

which is restricted by HUD for 40 years following the 2008 facilities construction (time restricted), and the Board's \$8,446,023 net pension asset, restricted for expected future pension payments.

### *Leases*

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

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

### *Right-of-Use Lease Asset and Related Lease Liability*

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities in the statement of net position.

### *Subscription-Based Information Technology Arrangements (SBITA)*

The Board has a SBITA for its Credible software platform, ESD Microsoft software, and other healthcare platforms. The Board uses its estimated incremental borrowing rate as the discount rate as the subscription arrangement does not explicitly state an interest rate. The subscriptions have payments that range from \$15,000 to \$139,489 and interest rates that range from 2.363% to 3.378%. The value of the right-to-use subscription assets and related accumulated amortization as of year end are disclosed in Note 4. The related liability as well as principal and interest requirements to maturity are disclosed in Note 5.

### *Change in Accounting Principle*

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

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

---

### Note 2 – Deposits and Investments

---

#### *Deposits*

Deposits with banks, excluding those of Pine Ridge Residence, Inc. and deposits held for clients, 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 from 50% to 130% of excess deposits. The deposits of Pine Ridge Residence, Inc. and deposits held for clients do have FDIC coverage. Accordingly, all deposits are considered fully collateralized.

Cash and cash equivalents consist of the following:

|              |                      |
|--------------|----------------------|
| Cash on hand | \$ 1,056             |
| Deposits     | 57,130,518           |
|              | <u>\$ 57,131,574</u> |

Statement of net position consist of the following:

|                                                            |                      |
|------------------------------------------------------------|----------------------|
| Cash and cash equivalents                                  | \$ 24,773,001        |
| Cash and cash equivalents, restricted for client funds     | 14,074               |
| Cash and cash equivalents, restricted for deposit reserves | 41,593               |
| Cash and cash equivalents, restricted for regional funds   | 32,302,906           |
|                                                            | <u>\$ 57,131,574</u> |

#### *Investments*

Statutes authorize the Board to invest in obligations of the United States of America 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 and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). Current Board policy is to invest cash reserves on a daily basis through the use of repurchase agreements with the Board’s bank. The Board held no investments at June 30, 2025.

---

### Note 3 – Accounts Receivable

---

Accounts receivable consist of the following:

|                                                               |                     |
|---------------------------------------------------------------|---------------------|
| Virginia Department of Medical Assistance Services (Medicaid) | \$ 2,325,155        |
| Direct client                                                 | 2,825,952           |
| Third-party insurers and other                                | 1,007,337           |
|                                                               | <u>6,158,444</u>    |
| Allowance for uncollectible accounts                          | (3,588,196)         |
|                                                               | <u>\$ 2,570,248</u> |

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

### Note 4 – Capital Assets

Capital asset activity for the year was as follows:

|                                    | Beginning<br>Balance | Increases            | Decreases           | Ending<br>Balance    |
|------------------------------------|----------------------|----------------------|---------------------|----------------------|
| Capital assets, nondepreciable     |                      |                      |                     |                      |
| Land                               | \$ 5,455,623         | \$ -                 | \$ -                | \$ 5,455,623         |
| Construction in progress           | 2,774,160            | 7,089,447            | 7,113,441           | 2,750,166            |
| Capital assets, nondepreciable     | 8,229,783            | 7,089,447            | 7,113,441           | 8,205,789            |
| Capital assets, depreciable        |                      |                      |                     |                      |
| Building and improvements          | 32,221,956           | 14,667,649           | -                   | 46,889,605           |
| Furniture and equipment            | 927,725              | 373,032              | -                   | 1,300,757            |
| Motor vehicles                     | 1,983,012            | 127,005              | 211,731             | 1,898,286            |
| Capital assets, depreciable        | 35,132,693           | 15,167,686           | 211,731             | 50,088,648           |
| Less accumulated depreciation for: |                      |                      |                     |                      |
| Building and improvements          | 13,288,662           | 989,244              | -                   | 14,277,906           |
| Furniture and equipment            | 608,859              | 106,361              | -                   | 715,220              |
| Motor vehicles                     | 1,671,356            | 133,843              | 211,731             | 1,593,468            |
| Total accumulated depreciation     | 15,568,877           | 1,229,448            | 211,731             | 16,586,594           |
| Capital assets, depreciable, net   | 19,563,816           | 13,938,238           | -                   | 33,502,054           |
| Right-of-use leased assets         |                      |                      |                     |                      |
| Equipment                          | 167,244              | 6,981                | -                   | 174,225              |
| Less accumulated amortization      | (63,250)             | (37,218)             | -                   | (100,468)            |
| Total leased assets, net           | 103,994              | (30,237)             | -                   | 73,757               |
| Subscription right-to-use assets   | 863,163              | 544,908              | -                   | 1,408,071            |
| Less accumulated amortization      | (468,333)            | (315,657)            | -                   | (783,990)            |
| Total subscription assets, net     | 394,830              | 229,251              | -                   | 624,081              |
| Total capital assets, net          | <u>\$ 28,292,423</u> | <u>\$ 21,226,699</u> | <u>\$ 7,113,441</u> | <u>\$ 42,405,681</u> |

### Note 5 – Long-Term Liabilities

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

|                              | Beginning<br>Balance | Increases           | Decreases           | Ending<br>Balance    | Due Within<br>One Year |
|------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
| Notes from direct borrowings | \$ 8,418,104         | \$ 6,352,000        | \$ 773,709          | \$ 13,996,395        | \$ 904,276             |
| Lease liabilities            | 104,336              | 6,981               | 36,898              | 74,419               | 26,824                 |
| Subscription liabilities     | 427,024              | 539,983             | 364,298             | 602,709              | 322,958                |
| Compensated absences*        | 1,583,429            | 348,049             | -                   | 1,931,478            | 1,931,478              |
|                              | <u>\$ 10,532,893</u> | <u>\$ 7,247,013</u> | <u>\$ 1,174,905</u> | <u>\$ 16,605,001</u> | <u>\$ 3,185,536</u>    |

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

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

Annual debt service requirements are as follows:

| Fiscal Year | Notes from Direct Borrowings |                     | Lease Liabilities |                 |
|-------------|------------------------------|---------------------|-------------------|-----------------|
|             | Principal                    | Interest            | Principal         | Interest        |
| 2026        | \$ 904,276                   | \$ 702,567          | \$ 26,824         | \$ 1,664        |
| 2027        | 1,557,656                    | 646,848             | 19,136            | 1,077           |
| 2028        | 1,795,655                    | 558,025             | 19,503            | 527             |
| 2029        | 902,352                      | 499,038             | 7,848             | 102             |
| 2030        | 939,951                      | 455,134             | 1,108             | 13              |
| 2031-2035   | 7,896,505                    | 1,497,341           | -                 | -               |
|             | <b>\$ 13,996,395</b>         | <b>\$ 4,358,953</b> | <b>\$ 74,419</b>  | <b>\$ 3,383</b> |

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

|      | Subscription Liabilities |                  |
|------|--------------------------|------------------|
|      | Principal                | Interest         |
| 2026 | \$ 322,958               | \$ 7,803         |
| 2027 | 178,621                  | 6,949            |
| 2028 | 101,130                  | 2,870            |
|      | <b>\$ 602,709</b>        | <b>\$ 17,622</b> |

Details of long-term indebtedness are as follows:

| Notes Payable          | Interest Rate        | Date Issued    | Final Maturity Date | Amount of Original Issue | Balance              |
|------------------------|----------------------|----------------|---------------------|--------------------------|----------------------|
| Secured by real estate | 65% of SOFR + 2.25%* | October 2013   | October 2033        | \$ 5,870,000             | \$ 2,970,519         |
| Secured by real estate | 65% of SOFR + 2.25%* | October 2013   | October 2033        | 3,817,000                | 1,931,596            |
| Secured by real estate | 65% of SOFR + 2.25%* | April 2015     | October 2033        | 2,040,000                | 1,050,650            |
| Secured by real estate | 3.50%                | January 2017   | January 2027        | 1,040,000                | 713,131              |
| Secured by real estate | 5.00%                | September 2017 | October 2027        | 1,360,000                | 1,048,460            |
| Secured by real estate | 6.17521%             | December 2024  | January 2035        | 6,352,000                | 6,282,039            |
|                        |                      |                |                     |                          | <b>\$ 13,996,395</b> |

\* At June 30, 2025, this rate was 4.56%.

### Interest Rate Swap

The Board has four interest rate swap agreements in effect at June 30, 2025. The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

*Objective.* To lower its borrowing costs and increase its savings, the Board issued variable rate debt and simultaneously entered into interest rate swaps to serve as hedges against swings in the cash flows that would be required for its variable

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

rate notes payable. The Board's objective for entering the swaps was to effectively change its new variable rate notes to synthetic fixed rate notes, two at 3.540%, one at 6.00%, and one at 2.984%.

Significant terms and recurring fair value measurements of the three interest rate swaps are as follows:

| Swap Related To  | Current<br>Notional<br>Amount | Effective Date | Fixed Rate<br>Paid | Variable Rate<br>Received | Fair Value at<br>06/30/25 | Termination<br>Date |
|------------------|-------------------------------|----------------|--------------------|---------------------------|---------------------------|---------------------|
| \$5,870,000 Note | \$ 2,970,519                  | 10/24/2013     | 3.540%             | 65% of SOFR +<br>1.46250% | \$ 29,545                 | 10/07/2033          |
| \$3,817,000 Note | 1,931,596                     | 10/24/2013     | 3.540              | 65% of SOFR +<br>1.46250% | 19,212                    | 10/07/2033          |
| \$2,040,000 Note | 1,050,650                     | 04/01/2015     | 2.984              | 65% of SOFR +<br>1.46250% | 33,976                    | 10/07/2033          |
| \$6,352,000 Note | 6,282,039                     | 12/18/2024     | 6.00               | USD SOFR CME<br>6.17521%  | (257,089)                 | 01/01/2035          |
|                  |                               |                |                    |                           | <u>\$ (174,356)</u>       |                     |

Interest rate swaps are classified as Level 2 in the fair value hierarchy and are valued based on proprietary models of the financial institution.

The Board entered into the swaps at a cost of \$-0-. SOFR is the Secured Overnight Financing Rate, a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.

*Credit risk.* The Board is exposed to credit risk on the swaps only when their fair values are positive or assets.

*Interest rate risk.* The Board is exposed to interest rate risk in that when SOFR decreases, the fair value of the swap liability reported by the Board increases.

*Termination risk.* The Board or its counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If at the time of termination, the swaps have a negative fair value, the Board would be liable to the counterparty for a payment equal to that fair value.

*Rollover risk.* The Board is exposed to rollover risk on the interest rate swaps only to the extent that the swaps may be terminated prior to maturity as described above. Absent a termination event, all four swaps are scheduled to mature at the same time as the related debt.

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

*Swap payments and associated debt.* Using rates as of June 30, 2025, debt service requirements of the variable rate debt and net swap payments related to those notes, assuming current interest rates remain the same for the term of the bonds, are as follows:

| Variable Rate Notes and Swap Agreements |                      |                                                                                  |                                                                                             |                      |
|-----------------------------------------|----------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|----------------------|
| Underlying Notes                        |                      |                                                                                  |                                                                                             |                      |
| Year Ending<br>June 30,                 | Principal            | Projected<br>Variable Interest<br>Payments at<br>June 30, 2025<br>Interest Rates | Projected<br>Interest Rate<br>Swap Payments<br>(Receipts) at<br>June 30, 2025<br>Rates, Net | Total                |
| 2026                                    | \$ 798,982           | \$ 634,668                                                                       | \$ (7,279)                                                                                  | \$ 1,426,371         |
| 2027                                    | 831,972              | 595,641                                                                          | (7,114)                                                                                     | 1,420,499            |
| 2028                                    | 865,042              | 556,448                                                                          | (6,958)                                                                                     | 1,414,532            |
| 2029                                    | 902,353              | 512,543                                                                          | (6,753)                                                                                     | 1,408,143            |
| 2030                                    | 939,952              | 468,236                                                                          | (6,551)                                                                                     | 1,401,637            |
| 2031-2035                               | 7,896,503            | 1,551,332                                                                        | (26,996)                                                                                    | 9,420,839            |
|                                         | <b>\$ 12,234,804</b> | <b>\$ 4,318,868</b>                                                              | <b>\$ (61,651)</b>                                                                          | <b>\$ 16,492,021</b> |

The net swap payments are the projected difference between the receive variable, pay fixed components of the swap agreement. As rates vary, variable-rate note interest payments and net swap payments will vary. As long as the agreement stays in effect the total payments are not expected to change.

### *Loan Covenants and Other Matters*

The various note agreements described above include certain loan covenants including liquidity, working capital requirements and liabilities to tangible net worth ratio requirements. The Board was in compliance with all such covenants at June 30, 2025. Certain of the agreements also include prepayment premiums.

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

### Note 6 – Leases

#### *Lease Liabilities*

A summary of significant leases are as follows:

| Lease Description                    | Term                      | Asset Class | Interest Rate | Balance          |
|--------------------------------------|---------------------------|-------------|---------------|------------------|
| Pitney Bowes-Send Pro C Series       | 02/07/2024-<br>02/06/2029 | Equipment   | 2.432%        | \$ 2,449         |
| Ricoh IMC3000 Configurable PTO Model | 06/06/2023-<br>06/05/2028 | Equipment   | 3.674         | 6,034            |
| Ricoh IMC3000 Configurable PTO Model | 06/06/2023-<br>06/05/2028 | Equipment   | 3.674         | 5,183            |
| Ricoh IMC2510 Configurable PTO Model | 01/26/2024-<br>01/25/2029 | Equipment   | 2.432         | 7,045            |
| 13 Ricoh Printers (Various Models)   | 10/23/2021-<br>10/22/2025 | Equipment   | 1.426         | 5,689            |
| Ricoh IMC2510 Configurable PTO Model | 01/23/2024-<br>01/22/2029 | Equipment   | 2.432         | 7,448            |
| Ricoh IMC3000 Configurable PTO Model | 05/23/2023-<br>05/22/2028 | Equipment   | 3.602         | 6,074            |
| Ricoh Greenline MP C3004             | 06/07/2022-<br>06/16/2026 | Equipment   | 0.624         | 1,326            |
| Ricoh IMC2500500                     | 04/01/2022-<br>03/31/2026 | Equipment   | 3.275         | 1,205            |
| Ricoh IMC2510 Configurable PTO Model | 01/26/2024-<br>01/25/2029 | Equipment   | 2.432         | 6,969            |
| Ricoh IMC2510 Configurable PTO Model | 01/26/2024-<br>01/25/2029 | Equipment   | 2.432         | 6,329            |
| Ricoh IM2500A Configurable PTO Model | 01/23/2024-<br>01/22/2029 | Equipment   | 2.432         | 5,484            |
| Ricoh IMC2510 Configurable PTO Model | 01/23-2024-<br>01/22/2029 | Equipment   | 2.432         | 6,545            |
| Ricoh IMC2510 MFP                    | 04/22/2025-<br>04/21/2030 | Equipment   | 2.859         | 6,639            |
|                                      |                           |             |               | <u>\$ 74,419</u> |

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

### Short-Term Leases

The Board leases office space, parking, and other facilities under lease terms which range from monthly to a year. Future minimum lease requirements under non-cancellable short-term leases, excluding intercompany amounts, are \$215,822 for fiscal year 2026.

Rental expense related to short-term leases for 2025 totaled \$277,615, excluding \$2,703,265 of intercompany amounts.

RTCSB, Inc. leases office space and other facilities to the Board, as well as commercial and residential lessees, however, all such rentals are intercompany agreements and, as such, activity is eliminated in consolidation.

Total rental income related to non-intercompany short-term leases for the year ended June 30, 2025 totaled \$228,337, excluding intercompany rents.

---

### Note 7 – Regional Funds

---

The Board serves as the fiscal agent for several regional programs, which are administered by several community services boards, including the Board, in a region established by the State. The Board oversees a pool of state funds, and directs the allocation of those funds to or on behalf of various community services boards within the region. The programs include discharge assistance program (DAP), acute care local inpatient purchase of services (LIPOS), mental health crisis and other (MH Other), system transformation excellence and performance (STEP), permanent supportive housing, domestic violence crisis stabilization (DV), and substance use disorders – community detox (SUD). There are also federal funds which include American Rescue Plan Funds. The funds spent in the fiscal year are accounted for as revenues and expenses of the Board. The funds received by the Board and spent on behalf of the region consisted of the following:

|                              |                      |
|------------------------------|----------------------|
| Unearned revenue             |                      |
| DAP                          | \$ 275,877           |
| LIPOS                        | 531,975              |
| MH Other                     | 50,143               |
| STEP                         | 8,326,327            |
| Permanent supportive housing | 6,288,857            |
| DV                           | 3,318,721            |
| SUD                          | 19,305               |
| Federal                      | 1,971,800            |
| Balance, June 30, 2024       | <u>\$ 20,783,005</u> |
| Funds received               |                      |
| DAP                          | \$ 12,426,754        |
| LIPOS                        | 597,856              |
| MH Other                     | 4,967,814            |
| STEP                         | 8,644,042            |
| Permanent supportive housing | 2,450,000            |
| DV                           | 5,447,768            |
| SUD                          | 165,000              |
| Federal                      | -                    |
| Total funds received         | <u>\$ 34,699,234</u> |

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

|                              |                      |
|------------------------------|----------------------|
| Funds spent                  |                      |
| DAP                          | \$ 12,314,780        |
| LIPOS                        | 945,590              |
| MH Other                     | 3,205,967            |
| STEP                         | 3,024,586            |
| Permanent supportive housing | 445,590              |
| DV                           | 2,579,309            |
| SUD                          | 181,411              |
| Federal                      | 482,100              |
| Total funds spent            | <u>\$ 23,179,333</u> |
| Unearned revenue             |                      |
| DAP                          | \$ 387,851           |
| LIPOS                        | 184,241              |
| MH Other                     | 1,811,990            |
| STEP                         | 13,945,783           |
| Permanent supportive housing | 8,293,267            |
| DV                           | 6,187,180            |
| SUD                          | 2,894                |
| Federal                      | 1,489,700            |
| Balance, June 30, 2025       | <u>\$ 32,302,906</u> |

The \$23,179,333 of revenue recognized for funds spent on behalf of the region are included in Commonwealth of Virginia and federal grants and the expenses are included in salaries and benefits, contractual and professional services, and client services on the statement of revenues, expenses, and changes in fund net position. Of these funds spent on behalf of the region, \$7,785,089 was for services provided directly by the Board, with the remaining spent on behalf of the remaining participating community services boards.

### Note 8 – Defined Benefit Pension Plan

#### *Plan Description*

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

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

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

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

### *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:

|                                                                      | <b>Members</b> |
|----------------------------------------------------------------------|----------------|
| Inactive members or their beneficiaries currently receiving benefits | 233            |
| Inactive members                                                     |                |
| Vested inactive members                                              | 214            |
| Non-vested inactive members                                          | 572            |
| Inactive members active elsewhere in VRS                             | 215            |
| Total inactive members                                               | 1,001          |
| Active members                                                       | 401            |
| Total covered employees                                              | <b>1,635</b>   |

### *Contributions*

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

The Political Subdivision's contractually required contribution rate for the year ended June 30, 2025 was 2.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Political Subdivision were \$695,298 and \$292,848 for the years ended June 30, 2025 and 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 \$154,206 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 \$411,320 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$565,526 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 Political Subdivisions, 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.

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

### *Actuarial Assumptions*

The total pension liability for General Employees in the Political Subdivision'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%                                                              |
| General Employees – Salary increases, including inflation | 3.50 – 5.35%                                                       |
| Investment rate of return                                 | 6.75%, net of pension plan investment expense, including inflation |

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table and a Modified MP-2020 Improvement Scale with various set backs or set forwards for both males and females.

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 are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates to better fit experience; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

### *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

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

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

| Asset Class (Strategy)               | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|--------------------------------------|-------------------|----------------------------------------------|----------------------------------------------------|
| Public Equity                        | 32.00%            | \$ 6.70%                                     | 2.14%                                              |
| Fixed Income                         | 16.00             | 5.40                                         | 0.86                                               |
| Credit Strategies                    | 16.00             | 8.10                                         | 1.30                                               |
| Real Assets                          | 15.00             | 7.20                                         | 1.08                                               |
| Private Equity                       | 15.00             | 8.70                                         | 1.31                                               |
| PIP – Private Investment Partnership | 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                                | <b>100.00%</b>    |                                              | <b>7.07%</b>                                       |
| *Expected arithmetic nominal return  |                   |                                              | <b>7.07%</b>                                       |

\* The above allocation provides for a one-year 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 rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The 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 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

### Discount Rate

The discount rate used to measure the total 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 rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

|                                                                  | Increase (Decrease)               |                                       |                                               |
|------------------------------------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------------------|
|                                                                  | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability (Asset)<br>(a) – (b) |
| Balances at June 30, 2023                                        | \$ 64,007,118                     | \$ 74,338,295                         | \$ (10,331,177)                               |
| Changes for the year                                             |                                   |                                       |                                               |
| Service cost                                                     | 1,873,718                         | -                                     | 1,873,718                                     |
| Interest                                                         | 4,338,914                         | -                                     | 4,338,914                                     |
| Differences between expected and actual<br>experience            | 4,154,222                         | -                                     | 4,154,222                                     |
| Contributions – employer                                         | -                                 | 292,848                               | (292,848)                                     |
| Contributions – employee                                         | -                                 | 1,074,368                             | (1,074,368)                                   |
| Net investment income                                            | -                                 | 7,161,467                             | (7,161,467)                                   |
| Benefit payments, including refunds of<br>employee contributions | (3,201,263)                       | (3,201,263)                           | -                                             |
| Administrative expenses                                          | -                                 | (48,423)                              | 48,423                                        |
| Other changes                                                    | -                                 | 1,440                                 | (1,440)                                       |
| Net changes                                                      | 7,165,591                         | 5,280,437                             | 1,885,154                                     |
| Balances at June 30, 2024                                        | <u>\$ 71,172,709</u>              | <u>\$ 79,618,732</u>                  | <u>\$ (8,446,023)</u>                         |

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

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

|                                                       | 1.00%<br>Decrease<br>(5.75%) | Current Discount<br>Rate<br>(6.75%) | 1.00%<br>Increase<br>(7.75%) |
|-------------------------------------------------------|------------------------------|-------------------------------------|------------------------------|
| Political Subdivision's net pension liability (asset) | <u>\$ 711,078</u>            | <u>\$ (8,446,023)</u>               | <u>\$ (15,704,721)</u>       |

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

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

For the year ended June 30, 2025, the Political Subdivision recognized pension expense of \$1,399,063. At June 30, 2025, the Political Subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|----------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                               | \$ 1,752,938                         | \$ -                                |
| Net difference between projected and actual earnings on pension plan investments | -                                    | 2,079,053                           |
| Employer contributions subsequent to the measurement date                        | 695,298                              | -                                   |
|                                                                                  | <u>\$ 2,448,236</u>                  | <u>\$ 2,079,053</u>                 |

The \$695,298 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset 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 as follows:

| Year Ending<br>June 30, | Effect on<br>Pension Expense |
|-------------------------|------------------------------|
| 2026                    | \$ (73,863)                  |
| 2027                    | 591,766                      |
| 2028                    | (402,593)                    |
| 2029                    | (441,425)                    |
| 2030                    | -                            |
| Thereafter              | -                            |

### *Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at [varetire.org/media/shared/pdf/publications/2024-annual-report.pdf](http://varetire.org/media/shared/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.

### *Payables to the Pension Plan*

At June 30, 2025, approximately \$364,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2025 payroll.

## **Note 9 – Other Postemployment Benefits Liability – Virginia Retirement System Plans**

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Board also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

### *Plan Descriptions*

#### Group Life Insurance Program

All full-time employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. 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 program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/benefits-and-programs/benefits/life-insurance/>.

The GLI plan is administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost-sharing plan.

### *Contributions*

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2023. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability, with the exception of GLI, which was also combined with employee contributions. Specific details related to the contributions for the VRS OPEB programs are as follows:

#### Group Life Insurance Program

Governed by:

*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.

Total rate:

1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution.

June 30, 2025 Contribution

\$121,952

June 30, 2024 Contribution

\$127,745

### *OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB*

The net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by 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 OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers.

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

### Group Life Insurance Program

|                                                |    |           |
|------------------------------------------------|----|-----------|
| June 30, 2025 proportionate share of liability | \$ | 1,028,099 |
| June 30, 2024 proportion                       |    | 0.09213%  |
| June 30, 2023 proportion                       |    | 0.09062%  |
| June 30, 2025 benefit                          | \$ | 29,513    |

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

|                                                                               | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|-------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                            | \$ 162,206                           | \$ 25,113                           |
| Change in assumptions                                                         | 5,860                                | 50,950                              |
| Net difference between projected and actual earnings on OPEB plan investments | -                                    | 86,658                              |
| Changes in proportion                                                         | 24,357                               | 124,417                             |
| Employer contributions subsequent to the measurement date                     | 121,952                              | -                                   |
|                                                                               | <b>\$ 314,375</b>                    | <b>\$ 287,138</b>                   |

The deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net 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 OPEB will be recognized in OPEB expense in future reporting periods as follows:

| Year Ended<br>June 30, | Effect on<br>OPEB Expense |
|------------------------|---------------------------|
| 2026                   | \$ (105,082)              |
| 2027                   | (23,990)                  |
| 2028                   | 4,621                     |
| 2029                   | 10,976                    |
| 2030                   | 18,760                    |
| Thereafter             | -                         |

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

### *Actuarial Assumptions and Other Inputs*

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2023, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

|                                                                 |              |
|-----------------------------------------------------------------|--------------|
| Inflation                                                       | 2.50%        |
| Salary increases, including inflation:                          |              |
| • Locality – general employees                                  | 3.50 – 5.35% |
| Healthcare cost trend rates:                                    |              |
| • Under age 65                                                  | 7.25 – 4.25% |
| • Ages 65 and older                                             | 6.50 – 4.25% |
| Investment rate of return, net of expenses, including inflation | GLI: 6.75%   |

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 8.

### *Net OPEB Liabilities*

The net OPEB liabilities represent each program'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, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

|                                                                     | <b>Group Life<br/>Insurance<br/>Program</b> |
|---------------------------------------------------------------------|---------------------------------------------|
| Total OPEB liability                                                | \$ 4,196,055                                |
| Plan fiduciary net position                                         | 3,080,133                                   |
| Employers' net OPEB liability                                       | 1,115,922                                   |
| Plan fiduciary net position as a percentage of total OPEB liability | 73.41%                                      |

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

### *Long-Term Expected Rate of Return*

#### Group Life Insurance

The long-term expected rate of return on VRS investments was determined using the method described in Note 8.

### *Discount Rate*

The discount rate used to measure the GLI 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 Guidance 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. Through the fiscal year ended June 30, 2024, the rate contributed by the employer for the OPEB liabilities 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 for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2024 on,

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

### *Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

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

|                        | <b>1.00%<br/>Decrease<br/>(5.75%)</b> | <b>Current Discount<br/>Rate<br/>(6.75%)</b> | <b>1.00%<br/>Increase<br/>(7.75%)</b> |
|------------------------|---------------------------------------|----------------------------------------------|---------------------------------------|
| GLI Net OPEB liability | <u>\$ 1,598,827</u>                   | <u>\$ 1,028,099</u>                          | <u>\$ 567,025</u>                     |

### *OPEB Plan Fiduciary Net Position*

Information about the various VRS OPEB plan 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 <https://www.varetire.org/media/shared/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 10 – Other Postemployment Benefits Liability – Local Plan**

---

### *Plan Description*

Previously, the Board offered health insurance benefits to qualified retirees under a single-employer plan. Participants must be eligible to retire with a pension benefit from the VRS and must have at least 11 years of full-time service at the Board at the date of retirement with at least five years of continuous service as of July 1, 2012. Employees who were hired after July 1, 2007 or without the service requirements as of July 1, 2012 were not eligible for the plan. Health benefits included medical, dental, and vision coverage for retirees and eligible spouses/dependents.

The authority to establish and amend the benefit provisions of the plan rests with the Board. There is no publicly available financial report for the plan.

The Board moved from a self-funded group plan to the individual marketplace effective January 1, 2024. The benefit that now applies to future eligible retiring employees is equal to the fixed contribution amount that varies based on years of service at retirement. This benefit ends at age 65. The reimbursement benefit, previously available for life, for all grandfathered Medicare retirees ended effective December 31, 2024, therefore, there is no future liability.

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

---

### Note 11 – Unearned Revenue

---

At June 30, 2025, unearned revenue consists of funding for the regional funds as described in Note 7, permanent supportive housing, crisis stabilization programs, system transformation excellence and performance funds, and other supportive programs. Unearned revenue consists of:

|                              |                             |
|------------------------------|-----------------------------|
| Regional programs            | \$ 32,302,906               |
| Permanent supportive housing | 2,264,661                   |
| Other supportive programs    | 886,890                     |
|                              | <u><u>\$ 35,454,457</u></u> |

---

### Note 12 – Deferred Compensation Plan

---

The Board offers its employees a deferred compensation plan created in accordance with the *IRC* Section 457. The plan, available to all Board employees, permits them to defer the payment of a portion of their salary until termination, retirement, death, or unforeseeable emergency. All amounts of deferred compensation, including the investments and earnings thereon, remain the property of the Board until paid to the employee, subject to the claims of general creditors. Participating employees' rights under the plan are equal to those of general creditors. It is the opinion of legal counsel that the Board has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The plan assets are held by a trustee and, therefore, are not reported in the financial statements.

---

### Note 13 – Net Client Service Revenue

---

Net client revenues arose from the following sources:

|                                            |                             |
|--------------------------------------------|-----------------------------|
| Medicaid                                   | \$ 17,381,301               |
| Third-party, direct client fees, and other | 5,454,440                   |
|                                            | <u><u>\$ 22,835,741</u></u> |

---

### Note 14 – Contributions from Participating Local Governments

---

Contributions from participating local governments were as follows:

|                         |                            |
|-------------------------|----------------------------|
| County of Albemarle     | \$ 824,520                 |
| County of Fluvanna      | 131,794                    |
| County of Nelson        | 150,000                    |
| County of Greene        | 106,012                    |
| County of Louisa        | 145,000                    |
| City of Charlottesville | 1,142,332                  |
|                         | <u><u>\$ 2,499,658</u></u> |

# Region Ten Community Services Board

## Notes to Financial Statements

June 30, 2025

---

### Note 15 – Other Income

---

Other income arose from the following sources:

|                    |                     |
|--------------------|---------------------|
| Donations          | \$ 305,568          |
| Contract and other | 1,937,109           |
|                    | <u>\$ 2,242,677</u> |

---

### Note 16 – Commitments and Contingencies

---

Certain state and federal grants and programs are subject to audit to determine compliance with their requirements. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial. The Board also occasionally is the subject of litigation in the course of conducting its business. The Board has recorded no provision for adverse outcomes of such matters as of June 30, 2025.

---

### Note 17 – Risk Management

---

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors, and omissions; the health of and injuries to employees, and natural disasters. The Board participates in Virginia Association of Counties Group Self-Insurance Risk Pool for various liability coverages, which have up to \$4,000,000 in coverage limits. The Board participates in the VACO Risk Management pool for workers' compensation coverage. There are no surety bonds for directors. The Board assumes risks related to co-insurance, policy deductibles, and claims which exceed insurance coverage. There have been no settlements that have exceeded the insurance coverage in the last three years and there has been no reduction in the amount of insurance coverage from the prior year.

---

### Note 18 – Subsequent Event

---

The Board, on September 4, 2025, sold a property located at 130 Louisa Avenue, Mineral, Virginia for \$335,000.

---

### Note 19 – New Accounting Standards

---

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

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

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



# **Required Supplementary Information**

---

**Region Ten Community Services Board**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**June 30, 2025**

|                                                                        | Plan Year             |                        |                        |                        |
|------------------------------------------------------------------------|-----------------------|------------------------|------------------------|------------------------|
|                                                                        | 2024                  | 2023                   | 2022                   | 2021                   |
| <b>Total Pension Liability</b>                                         |                       |                        |                        |                        |
| Service cost                                                           | \$ 1,873,718          | \$ 1,707,171           | \$ 1,419,599           | \$ 1,514,054           |
| Interest on total pension liability                                    | 4,338,914             | 4,145,010              | 3,948,295              | 3,715,344              |
| Difference between expected and actual experience                      | 4,154,222             | 71,178                 | 301,432                | (2,443,276)            |
| Changes in assumptions                                                 | -                     | -                      | -                      | 1,970,707              |
| Benefit payments, including refunds of employee contributions          | (3,201,263)           | (3,233,240)            | (2,851,974)            | (2,598,628)            |
| Net change in total pension liability                                  | 7,165,591             | 2,690,119              | 2,817,352              | 2,158,201              |
| <b>Total pension liability – beginning</b>                             | <b>64,007,118</b>     | <b>61,316,999</b>      | <b>58,499,647</b>      | <b>56,341,446</b>      |
| <b>Total pension liability – ending</b>                                | <b>71,172,709</b>     | <b>64,007,118</b>      | <b>61,316,999</b>      | <b>58,499,647</b>      |
| <b>Plan Fiduciary Net Position</b>                                     |                       |                        |                        |                        |
| Contributions – employer                                               | 292,848               | 281,599                | 400,499                | 389,795                |
| Contributions – employee                                               | 1,074,368             | 959,398                | 901,117                | 870,914                |
| Net investment income (loss)                                           | 7,161,467             | 4,583,075              | (67,478)               | 16,016,711             |
| Benefit payments, including refunds of employee contributions          | (3,201,263)           | (3,233,240)            | (2,851,974)            | (2,598,628)            |
| Administrative expenses                                                | (48,423)              | (46,338)               | (45,841)               | (40,093)               |
| Other                                                                  | 1,440                 | 1,841                  | 1,687                  | 1,508                  |
| Net change in plan fiduciary net position                              | 5,280,437             | 2,546,335              | (1,661,990)            | 14,640,207             |
| <b>Plan fiduciary net position – beginning</b>                         | <b>74,338,295</b>     | <b>71,791,960</b>      | <b>73,453,950</b>      | <b>58,813,743</b>      |
| <b>Plan fiduciary net position – ending</b>                            | <b>79,618,732</b>     | <b>74,338,295</b>      | <b>71,791,960</b>      | <b>73,453,950</b>      |
| <b>Net pension asset – ending</b>                                      | <b>\$ (8,446,023)</b> | <b>\$ (10,331,177)</b> | <b>\$ (10,474,961)</b> | <b>\$ (14,954,303)</b> |
| Plan fiduciary net position as a percentage of total pension liability | <b>112%</b>           | <b>116%</b>            | <b>117%</b>            | <b>126%</b>            |
| Covered payroll                                                        | <b>\$ 23,987,386</b>  | <b>\$ 21,521,025</b>   | <b>\$ 18,524,058</b>   | <b>\$ 17,162,255</b>   |
| Net pension asset as a percentage of covered payroll                   | <b>-35%</b>           | <b>-48%</b>            | <b>-57%</b>            | <b>-87%</b>            |

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2015 information was presented in the entity's fiscal year 2016 financial report.

| Plan Year             |                       |                       |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2020                  | 2019                  | 2018                  | 2017                  | 2016                  | 2015                  |
| \$ 1,830,944          | \$ 1,732,323          | \$ 1,777,360          | \$ 1,860,920          | \$ 1,948,913          | \$ 1,843,684          |
| 3,503,105             | 3,347,583             | 3,146,376             | 3,035,321             | 2,855,267             | 2,694,527             |
| 278,510               | (440,052)             | (4,732)               | (743,067)             | (458,653)             | (619,325)             |
| -                     | 1,680,138             | -                     | (691,717)             | -                     | -                     |
| (2,337,943)           | (2,151,550)           | (1,937,677)           | (1,812,238)           | (1,734,441)           | (1,510,754)           |
| 3,274,616             | 4,168,442             | 2,981,327             | 1,649,219             | 2,611,086             | 2,408,132             |
| 53,066,830            | 48,898,388            | 45,917,061            | 44,267,842            | 41,656,756            | 39,248,624            |
| 56,341,446            | 53,066,830            | 48,898,388            | 45,917,061            | 44,267,842            | 41,656,756            |
| 399,125               | 452,850               | 680,263               | 678,475               | 989,438               | 965,578               |
| 974,605               | 1,135,689             | 1,081,693             | 1,084,940             | 991,398               | 966,114               |
| 1,121,524             | 3,709,979             | 3,853,853             | 5,684,422             | 813,303               | 1,987,824             |
| (2,337,943)           | (2,151,550)           | (1,937,677)           | (1,812,238)           | (1,734,441)           | (1,510,754)           |
| (38,242)              | (36,357)              | (32,792)              | (32,211)              | (27,812)              | (26,385)              |
| (1,326)               | (2,343)               | (3,450)               | (5,077)               | (339)                 | (423)                 |
| 117,743               | 3,108,268             | 3,641,890             | 5,598,311             | 1,031,547             | 2,381,954             |
| 58,696,000            | 55,587,732            | 51,945,842            | 46,347,531            | 45,315,984            | 42,934,030            |
| 58,813,743            | 58,696,000            | 55,587,732            | 51,945,842            | 46,347,531            | 45,315,984            |
| <b>\$ (2,472,297)</b> | <b>\$ (5,629,170)</b> | <b>\$ (6,689,344)</b> | <b>\$ (6,028,781)</b> | <b>\$ (2,079,689)</b> | <b>\$ (3,659,228)</b> |
| <b>104%</b>           | <b>111%</b>           | <b>114%</b>           | <b>113%</b>           | <b>105%</b>           | <b>109%</b>           |
| <b>\$ 19,776,756</b>  | <b>\$ 22,294,557</b>  | <b>\$ 21,873,350</b>  | <b>\$ 20,920,226</b>  | <b>\$ 20,109,602</b>  | <b>\$ 19,332,071</b>  |
| <b>-13%</b>           | <b>-25%</b>           | <b>-31%</b>           | <b>-29%</b>           | <b>-10%</b>           | <b>-19%</b>           |

# Region Ten Community Services Board

## Required Supplementary Information

### Schedule of Pension Contributions

June 30, 2025

| Year Ended<br>June 30, | Contractually<br>Required<br>Contribution | Contributions in<br>Relation to<br>Contractually<br>Required<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Employer's<br>Covered Payroll | Contributions as a<br>Percentage of<br>Covered Payroll |
|------------------------|-------------------------------------------|------------------------------------------------------------------------------|----------------------------------------|-------------------------------|--------------------------------------------------------|
| 2025                   | \$ 695,298                                | \$ 695,298                                                                   | \$ -                                   | \$ 25,983,080                 | 2.68 %                                                 |
| 2024                   | 292,848                                   | 292,848                                                                      | -                                      | 23,987,386                    | 1.22                                                   |
| 2023                   | 281,599                                   | 281,599                                                                      | -                                      | 21,521,025                    | 1.31                                                   |
| 2022                   | 400,499                                   | 400,499                                                                      | -                                      | 18,524,058                    | 2.16                                                   |
| 2021                   | 389,795                                   | 389,795                                                                      | -                                      | 17,162,255                    | 2.27                                                   |
| 2020                   | 399,125                                   | 399,125                                                                      | -                                      | 19,776,756                    | 2.02                                                   |
| 2019                   | 452,850                                   | 452,850                                                                      | -                                      | 22,294,557                    | 2.03                                                   |
| 2018                   | 680,263                                   | 680,263                                                                      | -                                      | 21,873,350                    | 3.11                                                   |
| 2017                   | 676,559                                   | 676,559                                                                      | -                                      | 20,920,226                    | 3.23                                                   |
| 2016                   | 989,306                                   | 989,306                                                                      | -                                      | 20,109,602                    | 4.92                                                   |

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

**Region Ten Community Services Board**  
**Required Supplementary Information**  
**Schedule of Employer's Share of Net OPEB Liability – VRS GLI**  
**June 30, 2025**

| Entity Plan<br>Year Ended<br>June 30,                                        | Employer's<br>Proportion of the<br>Net OPEB Liability | Employer's<br>Proportionate<br>Share of the Net<br>OPEB Liability | Employer's<br>Covered Payroll | Employer's<br>Proportionate<br>Share of the Net<br>OPEB Liability as<br>a Percentage of<br>its Covered<br>Payroll | Plan Fiduciary Net<br>Position as a<br>Percentage of the<br>Total OPEB<br>Liability |
|------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| <b>Virginia Retirement System – Group Life Insurance – General Employees</b> |                                                       |                                                                   |                               |                                                                                                                   |                                                                                     |
| 2024                                                                         | 0.09 %                                                | \$ 1,028,099                                                      | \$ 23,987,386                 | 4.29 %                                                                                                            | 73.41 %                                                                             |
| 2023                                                                         | 0.09                                                  | 1,086,818                                                         | 21,521,025                    | 5.05                                                                                                              | 69.30                                                                               |
| 2022                                                                         | 0.09                                                  | 1,111,742                                                         | 18,524,058                    | 6.00                                                                                                              | 67.21                                                                               |
| 2021                                                                         | 0.09                                                  | 1,062,863                                                         | 17,162,255                    | 6.19                                                                                                              | 67.45                                                                               |
| 2020                                                                         | 0.11                                                  | 1,793,165                                                         | 19,776,756                    | 9.07                                                                                                              | 52.64                                                                               |
| 2019                                                                         | 0.12                                                  | 1,908,000                                                         | 22,294,557                    | 8.56                                                                                                              | 52.00                                                                               |
| 2018                                                                         | 0.12                                                  | 1,749,000                                                         | 21,873,350                    | 8.00                                                                                                              | 51.22                                                                               |
| 2017                                                                         | 0.11                                                  | 1,708,000                                                         | 20,920,226                    | 8.16                                                                                                              | 48.86                                                                               |

The plan years above are reported in the entity's financial statements in the fiscal year following the plan - e.g., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

Schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

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

# Region Ten Community Services Board

## Required Supplementary Information Schedule of OPEB Contributions – VRS GLI June 30, 2025

| Entity Fiscal<br>Year Ended<br>June 30,                                      | Contractually<br>Required<br>Contribution | Contributions in<br>Relation to<br>Contractually<br>Required<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Employer's<br>Covered Payroll | Contributions as a<br>Percentage of<br>Covered Payroll |
|------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------|----------------------------------------|-------------------------------|--------------------------------------------------------|
| <b>Virginia Retirement System – Group Life Insurance – General Employees</b> |                                           |                                                                              |                                        |                               |                                                        |
| 2025                                                                         | \$ 121,952                                | \$ 121,952                                                                   | \$ -                                   | \$ 25,983,080                 | 0.47 %                                                 |
| 2024                                                                         | 127,745                                   | 127,745                                                                      | -                                      | 23,987,386                    | 0.53                                                   |
| 2023                                                                         | 115,289                                   | 115,289                                                                      | -                                      | 21,521,025                    | 0.54                                                   |
| 2022                                                                         | 108,490                                   | 108,490                                                                      | -                                      | 18,524,058                    | 0.59                                                   |
| 2021                                                                         | 101,791                                   | 101,791                                                                      | -                                      | 17,162,255                    | 0.59                                                   |
| 2020                                                                         | 114,996                                   | 114,996                                                                      | -                                      | 19,776,756                    | 0.58                                                   |
| 2019                                                                         | 119,551                                   | 119,551                                                                      | -                                      | 22,294,557                    | 0.54                                                   |
| 2018                                                                         | 123,905                                   | 123,905                                                                      | -                                      | 21,873,350                    | 0.57                                                   |

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

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

**Region Ten Community Services Board**  
**Notes to Required Supplementary Information**  
June 30, 2025

---

**Note 1 – Changes of Benefit Terms**

---

*Pension*

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

*Other Postemployment Benefits (OPEB)*

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

---

**Note 2 – 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-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to discount rate.



# **Other Supplementary Information**

---

# Region Ten Community Services Board

## Combining Statement of Net Position

June 30, 2025

|                                                            | Region Ten<br>Community<br>Services<br>Board | Region Ten<br>Community<br>Services<br>Board, Inc. | Pine Ridge<br>Residence,<br>Inc. | Inter-<br>Company<br>Eliminations | Total         |
|------------------------------------------------------------|----------------------------------------------|----------------------------------------------------|----------------------------------|-----------------------------------|---------------|
| <b>ASSETS</b>                                              |                                              |                                                    |                                  |                                   |               |
| <b>CURRENT ASSETS</b>                                      |                                              |                                                    |                                  |                                   |               |
| Cash and cash equivalents                                  | \$ 22,632,661                                | \$ 2,136,124                                       | \$ 4,216                         | \$ -                              | \$ 24,773,001 |
| Accounts receivable, net                                   | 2,570,248                                    | -                                                  | -                                | -                                 | 2,570,248     |
| Due from other governments                                 | 422,873                                      | -                                                  | -                                | -                                 | 422,873       |
| Other receivables                                          | -                                            | 4,174                                              | -                                | -                                 | 4,174         |
| Prepaid expenses and other                                 | 145,773                                      | 1,000                                              | -                                | -                                 | 146,773       |
| Due from related party                                     | 60,720                                       | 2,191,777                                          | -                                | (2,252,497)                       | -             |
| Cash and cash equivalents, restricted                      | 30,794,440                                   | 1,522,540                                          | 41,593                           | -                                 | 32,358,573    |
| Total current assets                                       | 56,626,715                                   | 5,855,615                                          | 45,809                           | (2,252,497)                       | 60,275,642    |
| <b>NONCURRENT ASSETS</b>                                   |                                              |                                                    |                                  |                                   |               |
| Funds held by others                                       | -                                            | 547,461                                            | -                                | -                                 | 547,461       |
| Net pension asset                                          | 8,446,023                                    | -                                                  | -                                | -                                 | 8,446,023     |
| Capital assets, net                                        | 2,323,407                                    | 39,802,841                                         | 279,433                          | -                                 | 42,405,681    |
| Total noncurrent assets                                    | 10,769,430                                   | 40,350,302                                         | 279,433                          | -                                 | 51,399,165    |
| Total assets                                               | 67,396,145                                   | 46,205,917                                         | 325,242                          | (2,252,497)                       | 111,674,807   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                      |                                              |                                                    |                                  |                                   |               |
| Deferred outflows related to pensions                      | 2,448,236                                    | -                                                  | -                                | -                                 | 2,448,236     |
| Deferred outflows related to other postemployment benefits | 314,375                                      | -                                                  | -                                | -                                 | 314,375       |
| Interest rate swaps                                        | -                                            | 174,356                                            | -                                | -                                 | 174,356       |
| Total deferred outflows of resources                       | 2,762,611                                    | 174,356                                            | -                                | -                                 | 2,936,967     |
| <b>LIABILITIES</b>                                         |                                              |                                                    |                                  |                                   |               |
| <b>CURRENT LIABILITIES</b>                                 |                                              |                                                    |                                  |                                   |               |
| Accounts payable                                           | 1,261,242                                    | 1,143,313                                          | -                                | -                                 | 2,404,555     |
| Accrued payroll and related liabilities                    | 738,761                                      | -                                                  | -                                | -                                 | 738,761       |
| Other liabilities                                          | 9,075                                        | 141,132                                            | 1,063                            | -                                 | 151,270       |
| Amounts held for clients, payable from restricted assets   | 3,401                                        | -                                                  | -                                | -                                 | 3,401         |
| Due to related party                                       | 2,191,777                                    | -                                                  | 60,720                           | (2,252,497)                       | -             |
| Unearned revenue                                           | 33,931,917                                   | 1,522,540                                          | -                                | -                                 | 35,454,457    |
| Interest rate swap liability                               | -                                            | 174,356                                            | -                                | -                                 | 174,356       |
| Current portion of long-term liabilities                   | 2,281,260                                    | 904,276                                            | -                                | -                                 | 3,185,536     |
| Total current liabilities                                  | 40,417,433                                   | 3,885,617                                          | 61,783                           | (2,252,497)                       | 42,112,336    |
| <b>LONG-TERM LIABILITIES</b>                               |                                              |                                                    |                                  |                                   |               |
| Other postemployment benefits                              | 1,028,099                                    | -                                                  | -                                | -                                 | 1,028,099     |
| Long-term liabilities, noncurrent portion                  | 327,346                                      | 13,092,119                                         | -                                | -                                 | 13,419,465    |
| Total long-term liabilities                                | 1,355,445                                    | 13,092,119                                         | -                                | -                                 | 14,447,564    |
| Total liabilities                                          | 41,772,878                                   | 16,977,736                                         | 61,783                           | (2,252,497)                       | 56,559,900    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                       |                                              |                                                    |                                  |                                   |               |
| Deferred inflows related to pensions                       | 2,079,053                                    | -                                                  | -                                | -                                 | 2,079,053     |
| Deferred inflows related to other postemployment benefits  | 287,138                                      | -                                                  | -                                | -                                 | 287,138       |
| Total deferred inflows of resources                        | 2,366,191                                    | -                                                  | -                                | -                                 | 2,366,191     |
| <b>NET POSITION</b>                                        |                                              |                                                    |                                  |                                   |               |
| Net investment in capital assets                           | 1,646,279                                    | 24,663,133                                         | 279,433                          | -                                 | 26,588,845    |
| Restricted                                                 |                                              |                                                    |                                  |                                   |               |
| Annette Vail Memorial Trust                                | 10,000                                       | -                                                  | -                                | -                                 | 10,000        |
| Housing and Urban Development capital advance              | -                                            | -                                                  | 502,700                          | -                                 | 502,700       |
| Pension                                                    | 8,446,023                                    | -                                                  | -                                | -                                 | 8,446,023     |
| Unrestricted                                               | 15,917,385                                   | 4,739,404                                          | (518,674)                        | -                                 | 20,138,115    |
| Total net position                                         | \$ 26,019,687                                | \$ 29,402,537                                      | \$ 263,459                       | \$ -                              | \$ 55,685,683 |

## Region Ten Community Services Board

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

|                                                    | Region Ten<br>Community<br>Services<br>Board | Region Ten<br>Community<br>Services<br>Board, Inc. | Pine Ridge<br>Residence,<br>Inc. | Inter-<br>Company<br>Eliminations | Total                       |
|----------------------------------------------------|----------------------------------------------|----------------------------------------------------|----------------------------------|-----------------------------------|-----------------------------|
| OPERATING REVENUES                                 |                                              |                                                    |                                  |                                   |                             |
| Net client service revenue                         | \$ 22,835,741                                | \$ -                                               | \$ -                             | \$ -                              | \$ 22,835,741               |
| OPERATING EXPENSES                                 |                                              |                                                    |                                  |                                   |                             |
| Salaries and benefits                              | 37,198,949                                   | -                                                  | -                                | -                                 | 37,198,949                  |
| Staff development and recruitment                  | 401,923                                      | -                                                  | -                                | -                                 | 401,923                     |
| Facility                                           | 5,404,327                                    | 378,008                                            | 6,264                            | (2,703,265)                       | 3,085,334                   |
| Supplies                                           | 1,043,699                                    | -                                                  | 15,872                           | -                                 | 1,059,571                   |
| Travel                                             | 354,990                                      | -                                                  | -                                | -                                 | 354,990                     |
| Contractual and professional services              | 9,296,769                                    | 6,514                                              | 5,020                            | -                                 | 9,308,303                   |
| Client services                                    | 12,007,502                                   | -                                                  | -                                | -                                 | 12,007,502                  |
| Depreciation and amortization                      | 649,068                                      | 920,784                                            | 12,472                           | -                                 | 1,582,324                   |
| Other                                              | 152,810                                      | 33,585                                             | 3,600                            | (2,400)                           | 187,595                     |
| Total operating expenses                           | <u>66,510,037</u>                            | <u>1,338,891</u>                                   | <u>43,228</u>                    | <u>(2,705,665)</u>                | <u>65,186,491</u>           |
| Operating loss                                     | <u>(43,674,296)</u>                          | <u>(1,338,891)</u>                                 | <u>(43,228)</u>                  | <u>2,705,665</u>                  | <u>(42,350,750)</u>         |
| NONOPERATING REVENUES (EXPENSES)                   |                                              |                                                    |                                  |                                   |                             |
| Commonwealth of Virginia grants                    | 40,252,428                                   | 452,589                                            | -                                | -                                 | 40,705,017                  |
| Federal grants                                     | 3,450,402                                    | -                                                  | -                                | -                                 | 3,450,402                   |
| Contributions from participating local governments | 2,499,658                                    | -                                                  | -                                | -                                 | 2,499,658                   |
| Interest income                                    | 1,158,793                                    | -                                                  | 41                               | -                                 | 1,158,834                   |
| Unrealized gain funds held by others               | -                                            | 229,443                                            | -                                | -                                 | 229,443                     |
| Interest expense and other fees                    | (17,490)                                     | (650,945)                                          | -                                | -                                 | (668,435)                   |
| Rental income                                      | -                                            | 2,893,986                                          | 37,616                           | (2,703,265)                       | 228,337                     |
| Other income                                       | 1,936,532                                    | 308,545                                            | -                                | (2,400)                           | 2,242,677                   |
| Net nonoperating revenue                           | <u>49,280,323</u>                            | <u>3,233,618</u>                                   | <u>37,657</u>                    | <u>(2,705,665)</u>                | <u>49,845,933</u>           |
| Change in net position before transfers            | 5,606,027                                    | 1,894,727                                          | (5,571)                          | -                                 | 7,495,183                   |
| Transfers in (out)                                 | <u>(3,432,645)</u>                           | <u>3,432,645</u>                                   | <u>-</u>                         | <u>-</u>                          | <u>-</u>                    |
| Change in net position                             | 2,173,382                                    | 5,327,372                                          | (5,571)                          | -                                 | 7,495,183                   |
| NET POSITION, at July 1                            | 23,846,305                                   | 24,075,165                                         | 269,030                          | -                                 | 48,190,500                  |
| NET POSITION, at June 30                           | <u><u>\$ 26,019,687</u></u>                  | <u><u>\$ 29,402,537</u></u>                        | <u><u>\$ 263,459</u></u>         | <u><u>\$ -</u></u>                | <u><u>\$ 55,685,683</u></u> |

# Region Ten Community Services Board

## Combining Statement of Cash Flows

Year Ended June 30, 2025

|                                                                                   | Region Ten<br>Community<br>Services<br>Board | Region Ten<br>Community<br>Services<br>Board, Inc. | Pine Ridge<br>Residence,<br>Inc. | Inter-<br>Company<br>Eliminations | Total                |
|-----------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------------|----------------------------------|-----------------------------------|----------------------|
| <b>OPERATING ACTIVITIES</b>                                                       |                                              |                                                    |                                  |                                   |                      |
| Receipts from clients, private insurers, Medicaid, and others                     | \$ 22,539,639                                | \$ -                                               | \$ -                             | \$ -                              | \$ 22,539,639        |
| Payments to suppliers                                                             | (28,377,070)                                 | (233,964)                                          | (30,756)                         | 2,705,665                         | (25,936,125)         |
| Payments to and for employees                                                     | (37,254,219)                                 | -                                                  | -                                | -                                 | (37,254,219)         |
| Other receipts (payments)                                                         | (46,537)                                     | -                                                  | 231                              | -                                 | (46,306)             |
| Net cash used in operating activities                                             | (43,138,187)                                 | (233,964)                                          | (30,525)                         | 2,705,665                         | (40,697,011)         |
| <b>NON-CAPITAL FINANCING ACTIVITIES</b>                                           |                                              |                                                    |                                  |                                   |                      |
| Contributions from local, state, and federal governments                          | 58,561,897                                   | -                                                  | -                                | -                                 | 58,561,897           |
| Other receipts                                                                    | 4,139,635                                    | 1,192,653                                          | 26,549                           | (2,705,665)                       | 2,653,172            |
| Transfers                                                                         | (3,432,645)                                  | 3,432,645                                          | -                                | -                                 | -                    |
| Net cash provided by non-capital financing activities                             | 59,268,887                                   | 4,625,298                                          | 26,549                           | (2,705,665)                       | 61,215,069           |
| <b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                   |                                              |                                                    |                                  |                                   |                      |
| Acquisition and construction of capital assets                                    | (622,040)                                    | (14,091,540)                                       | -                                | -                                 | (14,713,580)         |
| Proceeds from the issuance of debt                                                | -                                            | 6,352,000                                          | -                                | -                                 | 6,352,000            |
| Principal paid on debt                                                            | (401,196)                                    | (773,709)                                          | -                                | -                                 | (1,174,905)          |
| Interest paid on debt                                                             | (12,794)                                     | (624,750)                                          | -                                | -                                 | (637,544)            |
| Net cash used in capital and related financing activities                         | (1,036,030)                                  | (9,137,999)                                        | -                                | -                                 | (10,174,029)         |
| <b>INVESTING ACTIVITIES</b>                                                       |                                              |                                                    |                                  |                                   |                      |
| Interest received                                                                 | 1,158,793                                    | -                                                  | 41                               | -                                 | 1,158,834            |
| Net cash provided by investing activities                                         | 1,158,793                                    | -                                                  | 41                               | -                                 | 1,158,834            |
| Net increase (decrease) in cash and cash equivalents                              | 16,253,463                                   | (4,746,665)                                        | (3,935)                          | -                                 | 11,502,863           |
| <b>CASH AND CASH EQUIVALENTS</b>                                                  |                                              |                                                    |                                  |                                   |                      |
| Beginning at July 1                                                               | 37,173,638                                   | 8,405,329                                          | 49,744                           | -                                 | 45,628,711           |
| Ending at June 30                                                                 | <u>\$ 53,427,101</u>                         | <u>\$ 3,658,664</u>                                | <u>\$ 45,809</u>                 | <u>\$ -</u>                       | <u>\$ 57,131,574</u> |
| <b>RECONCILIATION TO STATEMENT OF NET POSITION</b>                                |                                              |                                                    |                                  |                                   |                      |
| Cash and cash equivalents                                                         | \$ 22,632,661                                | \$ 2,136,124                                       | \$ 4,216                         | \$ -                              | \$ 24,773,001        |
| Cash and cash equivalents, restricted                                             | 30,794,440                                   | 1,522,540                                          | 41,593                           | -                                 | 32,358,573           |
|                                                                                   | <u>\$ 53,427,101</u>                         | <u>\$ 3,658,664</u>                                | <u>\$ 45,809</u>                 | <u>\$ -</u>                       | <u>\$ 57,131,574</u> |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>  |                                              |                                                    |                                  |                                   |                      |
| Operating loss                                                                    | \$ (43,674,296)                              | \$ (1,338,891)                                     | \$ (43,228)                      | \$ 2,705,665                      | \$ (42,350,750)      |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                                              |                                                    |                                  |                                   |                      |
| Depreciation and amortization                                                     | 649,068                                      | 920,784                                            | 12,472                           | -                                 | 1,582,324            |
| Pension expense net of employer contribution                                      | 703,765                                      | -                                                  | -                                | -                                 | 703,765              |
| Other postemployment expense net of employer contribution                         | (722,383)                                    | -                                                  | -                                | -                                 | (722,383)            |
| Decrease (increase) in:                                                           |                                              |                                                    |                                  |                                   |                      |
| Accounts receivable, net                                                          | (296,102)                                    | -                                                  | -                                | -                                 | (296,102)            |
| Prepaid expenses and other                                                        | (86,747)                                     | 101,000                                            | -                                | -                                 | 14,253               |

# Region Ten Community Services Board

## Combining Statement of Cash Flows

Year Ended June 30, 2025

|                                                                                                                                     | Region Ten<br>Community<br>Services<br>Board | Region Ten<br>Community<br>Services<br>Board, Inc. | Pine Ridge<br>Residence,<br>Inc. | Inter-<br>Company<br>Eliminations | Total                         |
|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------------|----------------------------------|-----------------------------------|-------------------------------|
| Increase (decrease) in:                                                                                                             |                                              |                                                    |                                  |                                   |                               |
| Accounts payable                                                                                                                    | 371,697                                      | -                                                  | -                                | -                                 | 371,697                       |
| Accrued payroll and related liabilities                                                                                             | (384,701)                                    | 83,143                                             | -                                | -                                 | (301,558)                     |
| Security deposits payable – included in<br>other liabilities                                                                        | -                                            | -                                                  | 231                              | -                                 | 231                           |
| Amounts held for clients, payable from<br>restricted assets                                                                         | (46,537)                                     | -                                                  | -                                | -                                 | (46,537)                      |
| Compensated absences – included in<br>long-term liabilities                                                                         | 348,049                                      | -                                                  | -                                | -                                 | 348,049                       |
| Net cash used in operating activities                                                                                               | <u><u>\$ (43,138,187)</u></u>                | <u><u>\$ (233,964)</u></u>                         | <u><u>\$ (30,525)</u></u>        | <u><u>\$ 2,705,665</u></u>        | <u><u>\$ (40,697,011)</u></u> |
| <b>SCHEDULE OF NON-CASH ACTIVITIES</b>                                                                                              |                                              |                                                    |                                  |                                   |                               |
| Capital assets obtained through lease liabilities,<br>subscription-based information technology<br>agreements, and accounts payable | <u><u>\$ 551,889</u></u>                     | <u><u>\$ 1,143,313</u></u>                         | <u><u>\$ -</u></u>               | <u><u>\$ -</u></u>                | <u><u>\$ 1,695,202</u></u>    |



# Compliance Section

---

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

To the Board of Directors  
Region Ten Community Services Board  
Charlottesville, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Region Ten Community Services Board (the "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, and have issued our report thereon dated December 29, 2025.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.**

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
December 29, 2025

# Region Ten Community Services Board

## Summary of Compliance Matters

June 30, 2025

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

---

### State Compliance Matters

---

#### *Code of Virginia*

Cash and Investment Laws

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

# **Region Ten Community Services Board**

## **Schedule of Findings and Responses**

June 30, 2025

---

### **A – Findings – Financial Statement Audit**

---

None.

---

### **B – Findings – Commonwealth of Virginia**

---

None.



## Report on Single Audit

June 30, 2025

## Region Ten Community Services Board

### **Contents**

|                                                                                                                                                                                                                                 |   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ..... | 1 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|

### **Compliance Information**

|                                                                                                                                                        |   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| Independent Auditor’s Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance..... | 3 |
| Schedule of Expenditures of Federal Awards and Notes .....                                                                                             | 6 |
| Summary of Compliance Matters .....                                                                                                                    | 8 |
| Schedule of Findings and Questioned Costs.....                                                                                                         | 9 |

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

To the Board of Directors  
Region Ten Community Services Board  
Charlottesville, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Region Ten Community Services Board (the "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, and have issued our report thereon dated December 29, 2025, except for the Compliance Information, as to which is dated February 12, 2026.

### **Report on Internal Control Over Financial Reporting**

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

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

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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 that are required to be reported under *Government Auditing Standards*.**

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia

December 29, 2025, except for the Compliance Information, as to which is dated February 12, 2026.



# **Compliance Information**

---

## **Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
Region Ten Community Services Board  
Charlottesville, Virginia

### **Report on Compliance for the Major Federal Program**

#### *Opinion on Compliance for the Major Federal Program*

We have audited Region Ten Community Services Board's (the "Board"), 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 the Board's major federal programs for the year ended June 30, 2025. The Board's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

#### *Basis for Opinion on the 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related 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 the major federal program. Our audit does not provide legal documentation of the 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 the Board's federal program.

### *Auditor's 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 the 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 the Board's compliance with the requirements of the 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 risk 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 the 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 the 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 the 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 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 Auditor's 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 have not been identified.**

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

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Region Ten 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. We issued our report thereon dated December 29, 2025, which contained a unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

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

CERTIFIED PUBLIC ACCOUNTANTS  
Lynchburg, Virginia  
February 12, 2026

# Region Ten Community Services Board

## Schedule of Expenditures of Federal Awards and Notes

### Year Ended June 30, 2025

| Federal Granting Agency/ Recipient State<br>Agency/Grant Program/Grant Number                                           | Award Date | Federal<br>Assistance Listing<br>Number | Pass-Through<br>Entity Identifying Number                                                | Cluster Amounts | Expenditures               |
|-------------------------------------------------------------------------------------------------------------------------|------------|-----------------------------------------|------------------------------------------------------------------------------------------|-----------------|----------------------------|
| Department of Housing and Urban Development                                                                             |            |                                         |                                                                                          |                 |                            |
| Direct Payments                                                                                                         |            |                                         |                                                                                          |                 |                            |
| Emergency Solutions Grants Program                                                                                      | 06/01/2024 | 14.231                                  | N/A                                                                                      |                 | \$ 545,988                 |
| Pass-Through Payments                                                                                                   |            |                                         |                                                                                          |                 |                            |
| Virginia Housing Development Authority                                                                                  |            |                                         |                                                                                          |                 |                            |
| VHDA Administrative Services                                                                                            | 06/01/2024 | 14.000                                  | Not Available                                                                            |                 | 140,806                    |
| Total Department of Housing and<br>Urban Development                                                                    |            |                                         |                                                                                          |                 | <u>686,794</u>             |
| Department of Education                                                                                                 |            |                                         |                                                                                          |                 |                            |
| Pass-Through Payments                                                                                                   |            |                                         |                                                                                          |                 |                            |
| Virginia Department of Behavioral Health and<br>Developmental Services                                                  |            |                                         |                                                                                          |                 |                            |
| Early Intervention – Part C                                                                                             | 07/01/2024 | 84.181                                  | 430850090                                                                                |                 | 334,421                    |
| Department of Health and Human Services                                                                                 |            |                                         |                                                                                          |                 |                            |
| Pass-Through Payments                                                                                                   |            |                                         |                                                                                          |                 |                            |
| Virginia Department of Behavioral Health and<br>Developmental Services                                                  |            |                                         |                                                                                          |                 |                            |
| PATH                                                                                                                    | 09/01/2024 | 93.150                                  | 511010090                                                                                |                 | 83,982                     |
| COVID-19 – Project Link ARPA                                                                                            | 10/01/2024 | 93.959                                  | Not Available                                                                            | 43,778          |                            |
|                                                                                                                         |            |                                         | 502510090, 591100090,<br>502710090, 599100090,<br>502510090, 502710090, and<br>599100090 |                 |                            |
| Block Grants for the Prevention and Treatment of<br>Substance Abuse                                                     | 09/01/2023 | 93.959                                  |                                                                                          | 1,177,379       |                            |
| Subtotal COVID-19 Project Link ARPA and<br>Block Grants for the Prevention and<br>Treatment of Substance Abuse – 93.959 |            |                                         |                                                                                          |                 | 1,221,157                  |
| Consolidated Appropriations Act                                                                                         | 07/01/2024 | 93.958                                  | Not Available                                                                            | 2,375           |                            |
|                                                                                                                         |            |                                         | 522010090, 590020090,<br>561000090, 522010090,<br>522010090, and 590010090               |                 |                            |
| Block Grants for Community Mental Health<br>Services                                                                    | 09/30/2024 | 93.958                                  |                                                                                          | 732,197         |                            |
| Subtotal CAA and Block Grants for<br>Community Mental Health Services – 93.958                                          |            |                                         |                                                                                          |                 | 734,572                    |
| Implementation of Children’s Behavioral<br>Health Services Expansion                                                    | 10/01/2024 | 93.243                                  | SM-21-007                                                                                |                 | 101,005                    |
|                                                                                                                         |            |                                         | 530030090, 530040090,<br>530240090, and 530340090                                        |                 |                            |
| Opioid State Targeted Response                                                                                          | 07/01/2024 | 93.788                                  |                                                                                          |                 | 238,986                    |
| Total Department of Health and Human Services                                                                           |            |                                         |                                                                                          |                 | <u>2,379,702</u>           |
| Department of Treasury                                                                                                  |            |                                         |                                                                                          |                 |                            |
| Pass-Through Payments                                                                                                   |            |                                         |                                                                                          |                 |                            |
| Virginia Department of Behavioral Health and<br>Developmental Services                                                  |            |                                         |                                                                                          |                 |                            |
| COVID-19 – Coronavirus State and Local<br>Fiscal Recovery Funds                                                         | 07/01/2022 | 21.027                                  | Not Available                                                                            |                 | 49,485                     |
| Total expenditures of federal awards                                                                                    |            |                                         |                                                                                          |                 | <u><u>\$ 3,450,402</u></u> |

**Region Ten Community Services Board**  
**Schedule of Expenditures of Federal Awards and Notes**  
**Year Ended June 30, 2025**

---

**Notes**

---

The schedule of expenditures of federal awards presents the activity of all federal award programs of the Board and is presented on the accrual basis of accounting.

The Board has not elected to use the de minimis 10% rate for the allocation of indirect costs.

The Board does not have any outstanding loan balances requiring continuing disclosure.

# Region Ten Community Services Board

## Summary of Compliance Matters

June 30, 2025

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

---

### State Compliance Matters

---

#### *Code of Virginia*

Cash and Investment Laws

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

---

### Federal Compliance Matters

---

#### *Compliance Supplement for Single Audits of State and Local Governments*

Provisions and conditions of agreements related to federal programs selected for testing.

**Region Ten Community Services Board**  
**Schedule of Findings and Questioned Costs**  
June 30, 2025

---

**A – Summary of Auditor’s Results**

---

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies and no material weaknesses** relating to the audit of the financial statements were reported in the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies and no material weaknesses** relating to the audit of the major federal award program were reported in the Independent Auditor’s Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed no audit findings related to the major program.
7. The program tested as major is:

| Name of Program                                                  | Assistance Listing<br>Number |
|------------------------------------------------------------------|------------------------------|
| Block Grants for the Prevention and Treatment of Substance Abuse | 93.959                       |

8. The **threshold** for distinguishing Type A and B programs was **\$750,000**.
9. The Board was determined to be a **low-risk auditee**.

---

**B – Findings – Financial Statement Audit**

---

None.

---

**C – Findings and Questioned Costs – Major Federal Award Programs Audit**

---

None.

---

**D – Findings – Commonwealth of Virginia**

---

None.