

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2023

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HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Board of Directors

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Beatrice Dahlen
Vice Chair

Steven Brown
Treasurer

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Secretary

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Virginia Blount-Moore
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Independent Auditors' Report

**To the Board of Directors
Hampton-Newport News Community Services Board
Hampton, Virginia**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Hampton-Newport News Community Services Board, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of Hampton-Newport News Community Services Board as of June 30, 2023, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principles

As described in Note 14 to the financial statements, in 2023, the CSB adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (Continued)

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 Hampton-Newport News Community Services Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hampton-Newport News Community Services Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hampton-Newport News Community Services Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023, on our consideration of Hampton-Newport News Community Services Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hampton-Newport News Community Services Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hampton-Newport News Community Services Board's internal control over financial reporting and compliance.

Robinson, Fennell, Cox Associates

Richmond, Virginia
November 10, 2023

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HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Management's Discussion and Analysis

The following Management Discussion and Analysis (MD&A) of the Hampton-Newport News Community Services Board (CSB) activities and financial performance provides the reader with an introduction and overview of the financial statements of the CSB and its associated business entities for the fiscal year ended June 30, 2023. While the MD&A primarily focuses on CSB operations, the accompanying financial statements, which follow the MD&A, also include the Hampton-Newport News Community Services Board Property Company, Inc. (Property Company), Share-a-Homes of the Virginia Peninsula, Inc. (SAH), and Peninsula Community Homes, Inc. (PCH) as described below.

This CSB is an extension and agency of the local governments of the City of Hampton and the City of Newport News, Virginia. The CSB has adopted the provisions of Governmental Accounting Standards Board Accounting Standards Codification (ASC) Topic 2100, *Defining the Financial Reporting Entity*. This guidance amended GASB Statement No. 14 to provide additional guidance to determine whether certain organizations for which the CSB should report as a component unit based on the nature and significance of their relationship with the CSB. Generally, it requires reporting as a component unit, any organization that raises and holds economic resources for the direct benefit of the CSB. In the basic financial statements which follow the MD&A, the operations of the Property Company, SAH, and PCH have been blended with the CSB.

Following the MD&A are the basic financial statements of the CSB together with the notes thereto which are essential to a full understanding of the data contained in the financial statements, certain supplementary information including the Schedule of Expenditures of Federal Awards and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios and the Schedule of Employer Contributions.

Summary of Operations and Changes in Net Assets - Primary Government Unit

	2023	2022
Operating Revenues and appropriations	\$ 61,376,529	\$ 54,899,950
Operating Expenses	\$ 56,798,895	\$ 51,164,669
Excess before interest income (expense)	\$ 4,577,634	\$ 3,735,281
Interest income	\$ 33,088	\$ 8,298
Rent of property	\$ 182,963	\$ 177,868
Interest expense	\$ (555,586)	\$ (496,670)
Change in net position	\$ 4,238,099	\$ 3,424,777

The increase in net position for the year ending June 30, 2023 is \$813K.

Operating revenues and appropriations, net change was a \$6.4 million increase. In FY2023, patient service revenue increased based on the Medicaid rate increases for specific services rendered. Commonwealth of Virginia funds increased \$2.1 million. This increase was mainly comprised of \$900,000 in Regional Housing funds awarded to HPR-V, distributed to HNNCSB as the fiscal agent; \$600,000 in Marcus Alert funding - to enhance services for individuals experiencing a crisis related to mental health, substance abuse or developmental disability; and cost of living adjustment on State general funds. Federal funds were primarily increased based on expenditures for our federal grants HRC+2 and Rapid Adult and Children Engagement (RACE).

Operating expenses increased \$5.6 million, with the majority attributable to personnel expenses. Payroll and benefits continue to be a significant part of the company operating expenses at 73% in both fiscal year 2022 and 2023. A 5% cost of living adjustment (COLA) was provided to all agency staff in FY2023. In addition, we continue to see a growth in benefits, with the major expense incurred in the health insurance benefit.

There was no utilization of the Company's line of credit in fiscal years 2023 or 2022. The interest rate remains the same for 2023 and 2022. In fiscal year 2023 the agency diversified the operating reserve to higher yielding Certificate of Deposits to grow the operating reserve with minimum risk.

Uncompensated care was approximately \$4.8 million and \$4.5 million in 2023 and 2022, respectively.

Statements of Net Assets - Primary Government Unit

A condensed summary of the Primary Government Unit's statements of net position is shown below:

Assets	2023	2022
Current and other assets	\$ 15,089,863	\$ 11,862,790
Restricted Assets	\$ 20,844,458	\$ 19,461,487
Long-Term Lease Receivable	\$ 42,949	\$ 212,253
Capital Assets - net of depreciation	\$ 21,915,475	\$ 20,064,867
Due from other agencies	\$ 471,285	\$ 471,285
Net pension asset	\$ 17,067,787	\$ 21,749,067
Total Assets	<u>\$ 75,431,817</u>	<u>\$ 73,821,749</u>
Deferred outflows of resources		
Pension contributions made subsequent to measurement date	\$ 123,572	\$ 332,468
Items related to measurement of net pension asset	\$ 491,039	\$ 1,912,008
Total deferred outflows of resources	<u>\$ 614,611</u>	<u>\$ 2,244,476</u>
Liabilities		
Current Liabilities	\$ 25,204,780	\$ 22,107,806
Long-term Liabilities	\$ 13,924,377	\$ 13,016,153
Total Liabilities	<u>\$ 39,129,157</u>	<u>\$ 35,123,959</u>
Deferred inflows of resources		
Items related to measurement of net pension asset	\$ 3,980,723	\$ 12,081,366
Lease Related	\$ 203,064	\$ 365,515
Total deferred inflow of resources	<u>\$ 4,183,787</u>	<u>\$ 12,446,881</u>
Net Assets		
Net investment in capital assets	\$ 8,217,529	\$ 7,792,532
Restricted	\$ 20,178,557	\$ 24,859,564
Unrestricted	\$ 4,337,398	\$ (4,156,711)
Total net position	<u>\$ 32,733,484</u>	<u>\$ 28,495,385</u>

Changes in the Statement of Net Position Explanations - CSB and Component Units

- **Assets and Liabilities**

- During 2023, current and other assets increased by \$3.3 million primarily related to the accounts receivable. In April of 2023, we implemented a new Electronic Health Record; Avatar. Patient collections slowed during the initial months of implementation.
- This year we have a new asset and liability category, Subscription Asset and Liability. This category has been added under the new GASB standard 96 requiring entities to include Subscription-Based IT Arrangements (SBITA) within the financial statements.
- Restricted assets are up approximately \$1.3 million due mainly to cash from regional/restricted programs received in 2023 that will be expensed in upcoming years. This includes over \$4 million in funding for the implementation of the Crisis Receiving Center.
- Capital assets are down approximately \$.3 million mainly due to limited additions offset by normal depreciation expense.
- Due from other agencies remained constant from 2023 to 2022.
- Net pension asset is down \$4.7 million from the prior year due to the investment return assumption 2023. The CSB recognized a decrease in pension expense of \$1.8 million.
- Current liabilities are up approximately \$3 million compared to 2022. There was an increase in the unearned (deferred) revenue of \$1.2 million in 2023 attributable to new funding streams not utilized fully in 2023. There was also an increase in Accounts Payable due to the timing of distributions to vendors of \$.8 million.
- Long terms liabilities are down approximately \$636K from 2023 to 2022 due mainly to scheduled debt payments.
- Change in Net Position - The increase in net position of approximately \$813K is due to positive results on the operating entities discussed above.

A condensed summary of the **Primary Government Unit's** statements of cash flows is shown below:

	2023	2022
Cash Flows from Operating Activities	\$ (33,523,685)	\$ (27,042,237)
Cash Flows from Non-Capital Activities	\$ 34,346,549	\$ 36,757,456
Cash Flows from Capital Activities	\$ (2,692,554)	\$ (1,742,014)
Cash Flows from Investing Activities	\$ 33,088	\$ 8,298
Net Increase in Cash	\$ (1,836,602)	\$ 7,981,503
Cash - Beginning of Year	<u>\$ 25,979,519</u>	<u>\$ 17,998,016</u>
Cash - End of Year	<u>\$ 24,142,917</u>	<u>\$ 25,979,519</u>

Cash flows (use of cash) for operating activities increased by approximately \$6.4 million in 2023 over 2022. There was a decrease in Receipts from Customers due to the increase in the accounts receivable for patient accounts. Payments in this category include cash distributions of the agency and funds distributed as the fiscal agent for Region V specialized projects.

Cash flows from Non-Capital Activities decreased by approximately \$2.3 million in 2023 over 2022. This is attributable to the accounts receivable for grant funding received in FY2024.

Cash flows used for Capital Activities increased approximately \$.9 million between 2023 and 2022. This includes the start up for our new E.H.R and additional capital purchases.

CSB Rates and Charges

Every year during budget development, the program directors along with the program managers evaluate the rates charged for each service and determine where adjustments are warranted. The fee schedule for each applicable service is then included in the budget. The Board of Directors approves the CSB budget submission and rate changes in June of each year.

Debt

As of June 30, 2023, the Hampton-Newport News Community Services Board, Hampton-Newport News Property Company, Inc. and Share-A-Homes of the Virginia Peninsula have total long-term debt (including current portion) as follows

	2023
Hampton-Newport News CSB	\$ 170,000
Hampton-Newport News Property Company, Inc.	\$ 10,430,327
Share-A-Homes of the Virginia Peninsula	\$ 963,328
Total Long-Term Debt (including current portion)	<u>\$ 11,563,655</u>

All of the debt is collateralized by properties owned by the indebted entities and assignments of lease payments from the CSB where applicable. The related notes are held by TowneBank, Virginia Housing Development Authority (VHDA) and Federal Housing Authority (FHA). The Primary Government has access to a line of credit with TowneBank for \$5 million of which \$5 million was available at June 30, 2023.

At June 30, 2023 and 2022, the CSB, the Hampton Property Company, Inc., and Share-A-Homes of the Virginia Peninsula were in compliance with required debt service coverage (as defined) for Hampton-Newport News Community Services Board loan agreements with TowneBank.

- **Uncompensated Care** - Services for citizens of Hampton and Newport News who are not covered by insurance or some other third party payer are provided on an ability to pay basis. Both income and number of dependents are considered when determining the portion of service for which the client is responsible. The reduction in fees based on the ability of the citizen to pay is considered uncompensated. In fiscal year 2023, the CSB provided approximately \$4.8 million in uncompensated care.

Financial Statements

CSB provides behavioral health care services in the areas of mental health, developmental disabilities and substance use disorder services. According to Governmental Accounting Standards Board (GASB) Statement No. 34, community services boards are special purpose governmental entities engaged in business-type activities. Therefore, the appropriate financial reporting model utilized by the CSB is the enterprise fund method of accounting using the accrual basis. On the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred, regardless of when the related cash flows take place.

Request for Information

The financial report is designed to provide a general overview of the CSB’s finances 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 the Chief Financial Officer, Financial Services, Hampton-Newport News Community Services Board, 300 Medical Drive, Hampton, Virginia 23666.

BASIC FINANCIAL STATEMENTS

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HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Statement of Net Position
June 30, 2023

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,318,687
Accounts receivable, less allowance for uncollectibles	11,458,468
Leases receivable, current portion	169,443
Prepaid items	143,265
Total current assets	<u>\$ 15,089,863</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	\$ 20,824,230
Security deposits	20,228
Leases receivable, less current portion	42,949
Due from other agencies	471,285
Net pension asset	17,067,787
Capital assets:	
Land and other non-depreciable capital assets	5,901,404
Other capital assets, less accumulated depreciation	13,810,817
Subscription assets, less accumulated depreciation	2,203,254
Total noncurrent assets	<u>\$ 60,341,954</u>
Total assets	<u>\$ 75,431,817</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	<u>\$ 614,611</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 3,425,653
Wages payable	1,301,471
Other current liabilities	1,186,988
Accrued interest payable	42,578
Compensated absences, current portion	173,083
Notes payable, current portion	734,784
Subscription liabilities, current portion	596,535
Total current liabilities	<u>\$ 7,461,092</u>
Current Liabilities Payable From Restricted Funds:	
Unearned regional revenue	17,628,688
Donation	105,000
Security deposits	10,000
Total current liabilities	<u>\$ 25,204,780</u>
Long-Term Liabilities:	
Compensated absences, less current portion	\$ 1,557,750
Notes payable, less current portion	10,828,871
Subscription liabilities, less current portion	1,537,756
Total long-term liabilities	<u>\$ 13,924,377</u>
Total liabilities	<u>\$ 39,129,157</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 3,980,723
Lease related	203,064
Total deferred inflows of resources	<u>\$ 4,183,787</u>
NET POSITION	
Net investment in capital assets	\$ 8,217,529
Restricted	20,178,557
Unrestricted	4,337,398
Total net position	<u>\$ 32,733,484</u>

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

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023**

Operating Revenues:	
Net patient service revenue - Direct client and third party	\$ 9,022,155
Net patient service revenue - Medicaid	16,199,423
Net patient service revenue - Other	65,207
Other	3,121,731
	\$ 28,408,516
Operating Expenses:	
Salaries and benefits	\$ 42,236,913
Staff development	299,692
Facility	3,103,620
Supplies	1,998,579
Travel	563,045
Contractual and consulting	2,602,155
Depreciation	1,901,705
Client support	3,449,343
Other	643,843
	\$ 56,798,895
	\$ (28,390,379)
Operating Income (Loss)	
Nonoperating Income (Expenses):	
Lease income	\$ 182,963
Other	19,500
Appropriations:	
Commonwealth of Virginia	23,122,872
Federal government	6,417,588
Local governments	3,403,891
Interest income	33,088
Gain on disposition of capital assets	4,162
Interest expense	(555,586)
	\$ 32,628,478
	\$ 4,238,099
Change in Net Position	
Net Position, Beginning of Year	28,495,385
Net Position, End of Year	\$ 32,733,484

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

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

**Statement of Cash Flows
Year Ended June 30, 2023**

Cash flows from operating activities:	
Receipts from customers	\$ 21,931,588
Payments to suppliers	(11,685,875)
Payments to and for employees	<u>(43,769,398)</u>
Total cash flows provided by (used for) operating activities	<u>\$ (33,523,685)</u>
Cash flows from noncapital and related financing activities:	
Other	\$ 19,500
Government grants	34,222,049
Donations	<u>105,000</u>
Total cash flows provided by (used for) noncapital and related financing activities	<u>\$ 34,346,549</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (3,755,151)
Proceeds from sale of assets	4,162
Sale of capital assets	2,838
Proceeds from long-term obligations issued	2,824,071
Lease income	182,071
Interest on long-term debt	(552,085)
Principal payments on long-term obligations	<u>(1,398,460)</u>
Total cash flows provided by (used for) capital and related financing activities	<u>\$ (2,692,554)</u>
Cash from investing activities:	
Interest income	<u>\$ 33,088</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,836,602)
Cash and cash equivalents, beginning of year (including restricted cash of \$19,441,259)	<u>25,979,519</u>
Cash and cash equivalents, end of year (including restricted cash of \$20,824,230)	<u><u>\$ 24,142,917</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (28,390,379)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:	
Depreciation	1,901,705
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Accounts receivable	(6,476,928)
Prepaid items	38,027
Net pension asset	4,681,280
Deferred outflows of resources	1,629,865
Accounts payable and accrued expenses	505,170
Wages payable	173,803
Other accrued liabilities	431,205
Compensated absences	83,210
Deferred inflows of resources	<u>(8,100,643)</u>
Cash flows provided by (used for) operating activities	<u><u>\$ (33,523,685)</u></u>

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

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HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2023

NOTE 1—DESCRIPTION OF AGENCY:

Financial Reporting Entity

Hampton-Newport News Community Services Board (CSB) operates as an agent for the Cities of Hampton and Newport News, Virginia in the establishment and operation of community mental health, intellectual and developmental disability and substance abuse programs as provided for in Chapter 10 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 CSB provides a system of community mental health, mental retardation and substance abuse services that relate to, and are integrated with, existing and planned programs. The CSB's Board of Directors is comprised of 15 members appointed by the City Councils of Hampton and Newport News.

In addition to the CSB functioning as a political subdivision of the Commonwealth of Virginia resulting from its creation by the cities of Hampton and Newport News, Virginia, the CSB was also organized as a not for profit entity exempt from taxation under section 501(c) 3 of the U. S. Internal Revenue Code. As a result of its political subdivision status, the CSB is not required to file an annual 990 Information Return with the Internal Revenue Service.

Component Units

Following are the descriptions of legally separate component units that are presented as blended component units of the CSB. Detailed information or separately issued financial statements for these component units can be obtained from the CSB's Chief Financial Officer.

Hampton-Newport News Community Services Board Property Company, Inc. (Property Company) was organized as a nonprofit organization, 501(c) 3, for the purpose of aiding the CSB in assisting the mentally disabled citizens of the Virginia Peninsula by acquiring real estate for subsequent use by the CSB. The Executive Director and the Chief Financial Officer and Property Management of the CSB serve as President and Secretary/Treasurer of the Property Company Board.

Share-A-Homes of the Virginia Peninsula, Inc. (SAH) was organized in 1981 as a nonprofit organization, (501(c) 3). The purpose of SAH is to provide low-cost housing and other facilities for persons with mental disabilities for the benefit of the CSB. The houses center on a family-like environment while providing assistance in the education, recreation, health and welfare of the mentally handicapped. The Executive Director and the Chief Financial Officer and Property Management of the CSB serve as President and Secretary/Treasurer of the SAH Board.

Peninsula Community Homes, Inc. (PCH) was structured as a nonprofit organization (501(c) 3) and was formed in 1997. It is certified as a Community Housing Development Organization (CHDO) for the cities of Hampton (2003) and Newport News (2001). Working in partnership with the CSB and its other entities, PCH seeks to leverage federal and state grant funds for the purpose of developing and improving low income housing for the disabled which benefits the CSB and its consumers. The entity has a self-appointing board of directors in accordance with the requirements of CHDO and staff is provided by the CSB.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2023 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Measurement Focus and Basis of Accounting

The accompanying financial statements report the financial position and results of operations of the CSB in accordance with generally accepted accounting principles. The CSB is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board (GASB).

The Board's proprietary funds are prepared on an enterprise fund basis and present the CSB's operating revenues and expenses in a manner similar to a private business, where the costs, including depreciation, of providing services to the public on a continuing basis are financed or recovered primarily through user charges.

An enterprise fund, a proprietary fund type, is accounted for on an economic resources measurement focus. All assets and liabilities, whether current or noncurrent, associated with its activities are included on its statements of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position. The proprietary fund financial statements are presented on the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when incurred, regardless of when the related cash flows take place.

Fiduciary funds (Trust and Custodial Funds) account for assets held by the Board in a trustee capacity or as a custodian for individuals. These funds include Custodial Funds, which consists of the EIP Fund, and Private-Purpose Trust Funds, which consists of the Trust Fund for Disabled People Fund. The Board's fiduciary funds are presented in the fund financial statements by type and use the economic resources measurement focus and the accrual basis of accounting.

All significant intercompany transactions and accounts have been eliminated for the combining statements.

Deferred Outflow/Inflow of Resources

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

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

Prepaid Items

Certain payments to vendors reflect costs applied to future accounting periods and are not recorded as prepaid items. Prepaid items are accounted for using the consumption method and are valued at cost.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2023 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Operating and Nonoperating Revenues and Expenses

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

Client Fees

The CSB is required to collect the cost of services from third party sources and those individuals who are able to pay. However, the payment of amounts charged is based on individual circumstances and unpaid balances are pursued to the extent of the client's ability to pay. The CSB 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 CSB does not pursue the collection of amounts determined to qualify for financial assistance, they are not reported as revenue.

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

A significant majority of fees billed and collected result from Medicaid billings. Account balances in arrears for greater than 150 days are deemed uncollectible. An allowance for doubtful client accounts has been estimated by management to approximate \$3,087,769 at June 30, 2023.

Net Position

For the CSB, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

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

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2023 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Net Position (Continued)

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

Pensions

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

Budgets and Budgetary Accounting

The CSB's annual budget is a management tool that assists users in analyzing financial activity for its fiscal year ending June 30. The CSB's largest funding source is fee-for-service payments, primarily from Medicaid and other insurers. Federal, state and local appropriations are also significant revenue sources that have periods that may or may not coincide with the CSB's fiscal year. These appropriations normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months. Because of the CSB's dependency on uncertain fee revenues and on federal, state, and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The CSB's annual budget differs from that of a local government due to the uncertain nature of fee-for-service payments from other payers. The resultant annual budget is subject to constant change within the fiscal year due to:

- The extent to which fee revenues are realized;
- Increases/decreases in actual appropriation from those estimated;
- Unanticipated appropriations not included in the budget; and
- Expected appropriations that fail to materialize.

The Board of Directors formally approves the annual budget but greater emphasis is placed on complying with the fee-for-service, insurance reimbursements and appropriations. As a result, the CSB also conducts a mid-year budget review process based on actual revenues and expenditures.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the CSB considers their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2023 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Accounts Receivable

Accounts receivable are stated at net realizable value. Receivables related to the provision of services are reported net of contractual allowances and an allowance for doubtful accounts. The CSB evaluates its accounts receivables using historical data and, in certain cases, specific account analysis. At June 30, 2023 the allowance for doubtful accounts was \$3,087,769.

Capital Assets

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

Buildings and improvements	30 years
Land improvements	15 years
Office furniture and equipment	3 - 5 years
Vehicles	5 years
Leasehold improvements	5 - 15 years
Subscription assets	2 - 5 years
Intangibles	5 years

Leases and Subscription-Based IT Arrangements

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

Lessor

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

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2023 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Leases and Subscription-Based IT Arrangements (Continued)

Subscriptions

The CSB recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of \$5,000, in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Key Estimates and Judgments

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

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

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

Taxes

As an agency of the Cities of Hampton and Newport News, which are political subdivisions of the Commonwealth of Virginia, the CSB is exempt from sales and federal and state income taxes.

Use of Estimates

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

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Risk Management

The CSB is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The CSB purchases commercial insurance for all risks of loss noted above.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize the Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following rates: P-1 by Moody’s Investor Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). The Board does not have an investment policy that addresses the various types of risks related to investments.

Credit Risk of Debt Securities

The Board’s rated debt investments as of June 30, 2023 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

Board's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ <u><u>11,113</u></u>

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 3-DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

Investment Maturities (in years)		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ <u>11,113</u>	\$ <u>11,113</u>

External Investment Pools

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

NOTE 4-CAPITAL ASSETS:

A summary of changes in capital assets follows:

	<u>Balances July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances June 30, 2023</u>
Non-Depreciable Capital Assets				
Land	\$ 5,838,835	\$ -	\$ -	\$ 5,838,835
Construction in progress	3,179	62,569	3,179	62,569
Total not subject to depreciation	<u>\$ 5,842,014</u>	<u>\$ 62,569</u>	<u>\$ 3,179</u>	<u>\$ 5,901,404</u>
Depreciable Capital Assets				
Buildings	\$ 25,978,440	\$ -	\$ -	\$ 25,978,440
Furniture/equipment	2,489,596	6,120	-	2,495,716
Vehicles	2,818,160	597,603	144,587	3,271,176
Leasehold improvements	5,019,562	267,967	-	5,287,529
Subscription asset	-	2,824,071	-	2,824,071
Intangibles	364,742	-	-	364,742
Total depreciable capital assets	<u>\$ 36,670,500</u>	<u>\$ 3,695,761</u>	<u>\$ 144,587</u>	<u>\$ 40,221,674</u>
Accumulated Depreciation	<u>\$ 22,447,647</u>	<u>\$ 1,901,705</u>	<u>\$ 141,749</u>	<u>\$ 24,207,603</u>
Net Depreciable Capital Assets	<u>\$ 14,222,853</u>	<u>\$ 1,794,056</u>	<u>\$ 2,838</u>	<u>\$ 16,014,071</u>
Capital Assets, Net	<u>\$ 20,064,867</u>	<u>\$ 1,856,625</u>	<u>\$ 6,017</u>	<u>\$ 21,915,475</u>

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2023 (Continued)

NOTE 5-LOCAL REVENUES:

Appropriations from local governments consisted of the following:

City of Hampton	\$	1,659,954
City of Newport News		1,743,937
Total	\$	<u>3,403,891</u>

NOTE 6-UNEARNED REVENUE:

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

Unearned revenue consisted of the following:

Other Revenue:		
Newport News CRC	\$	750,000
Sentara		154,250
State Revenue:		
Mental health grants		6,790,935
Developmental services grants		1,193,879
Regional funds		5,886,281
Substance use disorder grants		302,304
Federal Revenue:		
ARPA grants		39,792
Mental health grants		1,377,436
Substance use disorder grants		1,133,811
Total	\$	<u>17,628,688</u>

NOTE 7-LINE OF CREDIT:

The CSB has a working capital line of credit of \$5,000,000 with Towne Bank. Advances on the line-of-credit are collateralized by a general blanket assignment of all accounts, contracts or other receivables and proceeds. Interest on advances is payable at the monthly London Interbank Offered Rate (LIBOR) plus 2.750 percentage points, with a floor of 3.25%. At June 30, 2023, the CSB outstanding balance against this line of credit was \$0 and the interest rate was 8.10889%.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

**Notes to Financial Statements
June 30, 2023 (Continued)**

NOTE 8—LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term debt obligation transactions for the year ended June 30, 2023:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Compensated Absences	\$ 1,647,623	\$ 247,972	\$ 164,762	\$ 1,730,833
Direct Borrowings and Placements	12,272,335	-	708,680	11,563,655
Subscription liabilities	-	2,824,071	689,780	2,134,291
Total	\$ 13,919,958	\$ 3,072,043	\$ 1,563,222	\$ 15,428,779

Details of CSB’s long-term obligations at June 30, 2023 are as follows:

	Interest Rates	Issue Date	Maturity Date	Original Amount	Balance at 6/30/2023	Due Within One Year
Direct Borrowings and Placements:						
TowneBank	5.50%	8/8/2012	8/8/2037	\$ 300,000	\$ 170,000	\$ 12,000
TowneBank	(A)	7/23/2015	8/1/2035	14,000,000	9,715,318	618,323
TowneBank	(B)	7/23/2015	8/1/2035	1,030,000	715,009	43,771
TowneBank	(C)	7/23/2015	8/1/2035	1,366,000	963,328	60,690
Total Direct Borrowings and Placements					\$ 11,563,655	\$ 734,784
Subscription Liabilities:						
Barracuda	0.71%	7/1/2022	9/30/2024	\$ 31,301	\$ 13,880	\$ 13,880
Relias	0.71%	7/1/2022	2/28/2026	174,274	124,848	49,674
Avatar	1.56%	7/1/2022	2/28/2027	2,618,496	1,995,563	532,981
Total Subscription Liabilities					\$ 2,134,291	\$ 596,535
Other Long-term Obligations:						
Compensated Absences	N/A	N/A	N/A	N/A	\$ 1,730,833	\$ 173,083
Total Long-term Obligations					\$ 15,428,779	\$ 907,867

(A) Initially 3.18%. The interest rate on the bond reset January 1, 2018 to 3.86%. The interest rate resets on August 1, 2022 and every 5 years thereafter.

(B) Initially 3.55%. The interest rate resets on August 1, 2022 and every 5 years thereafter.

(C) Initially 3.55%. The interest rate on the bond reset January 1, 2018 to 4.31%. The interest rate resets on August 1, 2022 and every 5 years thereafter.

In the event of default for the notes payable from direct borrowings and placements, at the discretion of the lender, all amounts owed under the note at the time of default, including principal, interest and all other fees and charges, if applicable, will become immediately due and payable.

The CSB’s \$300,000 note payable issued August 8, 2012 is secured by 1st Deed of Trust on property and improvements located at 301 Bowman Lane in Newport News, Virginia.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Future principal maturities of long-term notes payable are as follows:

	Notes Payable From Direct Borrowings and Placements		Subscription Liabilities	
	Principal	Interest	Principal	Interest
2024	\$ 734,783	\$ 507,806	\$ 596,535	28,184
2025	765,844	475,756	591,383	19,357
2026	800,332	440,277	575,007	10,518
2027	836,403	403,217	371,366	2,176
2028	874,129	364,501	-	-
2029-2033	4,999,995	1,178,302	-	-
2034-2038	2,552,169	136,668	-	-
	<u>\$ 11,563,655</u>	<u>\$ 3,506,527</u>	<u>\$ 2,134,291</u>	<u>\$ 60,235</u>

Debt Coverage

The terms of the 2015A and 2015B Loan Agreements with TowneBank call for a debt service coverage ratio of 1.15:1 (as defined) based on annual amounts at June 30, 2023. The CSB met the debt service coverage ratio for the year ended June 30, 2023.

NOTE 9—LEASE RECEIVABLE:

The following is a summary of lease receivable transactions of the CSB for the year ended June 30, 2023:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Interest Revenue
Lease receivable	\$ 373,951	\$ -	\$ (161,559)	\$ 212,392	\$ 2,258

Details of lease receivable:

Lease Description	Start Date	End Date	Payment Frequency	Ending Balance
Office building	2022	2025	Monthly	\$ 212,392

There are no variable payments for the lease receivable above

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2023 (Continued)

NOTE 10—PENSION PLAN:

Plan Description

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

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, and 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, and 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier (Continued)

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	216
Inactive members:	
Vested inactive members	186
Non-vested inactive members	452
Inactive members active elsewhere in VRS	<u>279</u>
Total inactive members	917
Active members	<u>489</u>
Total covered employees	<u><u>1,622</u></u>

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 CSB's contractually required employer contribution rate for the year ended June 30, 2023 was 1.36% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 CSB were \$123,572 and \$332,468 for the years ended June 30, 2023 and June 30, 2022, respectively.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 10-PENSION PLAN: (CONTINUED)

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For CSB, the net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the CSB's Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

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

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 10-PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the CSB was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 10-PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

From July 1, 2022, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2021	\$ 78,700,229	\$ 100,449,296	\$ (21,749,067)
Changes for the year:			
Service cost	\$ 2,030,652	\$ -	\$ 2,030,652
Interest	5,350,208	-	5,350,208
Differences between expected and actual experience	(1,361,778)	-	(1,361,778)
Assumption changes	-	-	-
Contributions - employer	-	358,127	(358,127)
Contributions - employee	-	1,145,202	(1,145,202)
Net investment income	-	(105,348)	105,348
Benefit payments, including refunds of employee contributions	(2,937,082)	(2,937,082)	-
Administrative expenses	-	(62,502)	62,502
Other changes	-	2,323	(2,323)
Net changes	<u>\$ 3,082,000</u>	<u>\$ (1,599,280)</u>	<u>\$ 4,681,280</u>
Balances at June 30, 2022	<u>\$ 81,782,229</u>	<u>\$ 98,850,016</u>	<u>\$ (17,067,787)</u>

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 10-PENSION PLAN: (CONTINUED)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Net Pension (Asset)	\$ (4,984,839)	\$ (17,067,787)	\$ (26,774,457)

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

For the year ended June 30, 2023, the CSB recognized pension expense of (\$1,640,267). At June 30, 2023, the CSB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,851,414
Net difference between projected and actual earnings on pension plan investments	-	1,129,309
Changes of assumptions	491,039	-
Employer contributions subsequent to the measurement date	123,572	-
Total	\$ 614,611	\$ 3,980,723

\$123,572 reported as deferred outflows of resources related to pensions resulting from the CSB's contributions subsequent to the measurement date will be recognized as a component of the Net Pension Asset in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2024	\$ (1,629,852)
2025	(1,301,466)
2026	(1,925,417)
2027	1,367,051
2028	-
Thereafter	-

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2023 (Continued)

NOTE 10–PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 11–COMPENSATED ABSENCES:

Each employee earns vacation, compensatory leave, overtime leave and sick leave in accordance with the CSB’s policy. At termination or retirement, employees will be paid for all vacation and overtime leave up to 160 hours. Compensatory leave has been combined with the employees’ vacation balances. At June 30, 2023, the CSB has accruals of \$1,730,833 for compensated absences. The amount of annual and sick leave recognized as expense is the amount earned during the year. At June 30, 2023, this amount was reflected in the statement of net position under current liabilities in the amount of \$173,083 and under long term liabilities - compensated absences of \$1,557,750. Upon termination, employees are not vested in accrued sick leave; therefore, no accrual is required in the accompanying financial statements.

NOTE 12–TRUST FUND FOR DISABLED PEOPLE:

On May 18, 1995, the CSB established Hampton-Newport News Community Services Board Trust for Disabled People (Trust). The CSB, as Trustee, is responsible for administering the Trust, which is available to any beneficiary, as defined in the Trust. Under the Trust, beneficiaries may elect to contribute cash or property for the Trustee to hold, retain, invest, reinvest or manage.

The Trustee, in its sole discretion, may make any payment under the Trust either (a) directly to a beneficiary, (b) in any form allowed by law, (c) to any person deemed suitable by the Trustee, or (d) by direct payment of a beneficiary’s expenses. As part of its fiduciary responsibility, the CSB has an obligation of due care in administering the Trust, and, in the opinion of the CSB’s legal counsel, the CSB has acted in a prudent manner. The asset and liability for the Trust is recorded in the CSB’s statement of fiduciary net position. Additions and deductions for the Trust are recorded in the CSB’s statement of changes in fiduciary net position.

NOTE 13–COMMITMENTS AND CONTINGENCIES:

Self-Insurance

The CSB provides self-insured medical, dental and vision benefit plans for its employees. The medical plan pays all claims up to \$175,000 per covered person per year. Any claims exceeding \$175,000 per covered person per year are paid by specific stop-loss insurance provided by a third-party insurance company. Aggregate claims in excess of 125% of expected claims, as determined by the reinsurance underwriter, are also paid by a third-party insurance company. All premiums paid by the CSB related to the plan are recorded as expenses.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These liabilities include an estimate of claims that have been incurred but not reported. At June 30, 2023, the amount of these liabilities were approximately \$332,239. These liabilities are the CSB’s best estimate as calculated by the CSB’s Third Party Administrator.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 13–COMMITMENTS AND CONTINGENCIES: (CONTINUED)

Self-Insurance (Continued)

The changes in estimated claims liability reported as accrued liabilities for the last three fiscal years are summarized below:

<u>Fiscal Year</u>	<u>Estimated Claims Liability Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Estimated Claims Liability End of Fiscal Year</u>
2023	\$ 169,478	\$ 5,671,522	\$ 5,508,761	\$ 332,239
2022	483,137	4,329,932	4,643,591	169,478
2021	168,475	4,608,602	4,293,940	483,137

Health Reimbursement Arrangement

The CSB implemented a Health Reimbursement Arrangement (HRA) on January 1, 2018. The HRA is an IRS approved employer funded health benefit plan that reimburses employees for out-of-pocket medical expenses.

The CSB elected to contribute \$1,500 for employee only and \$2,500 for family coverage to help offset the cost of the health insurance deductible. As of June 30, 2023, the estimated liability was \$1,516,843.

Reserve Funds

The CSB has accrued reserves to cover potential paybacks for possible overpayments on cost reimbursed facilities.

Federally Assisted Grant Programs

Federal programs in which the CSB participate were audited in accordance with the provisions of Title 2 U.S. Code of Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of the Uniform Guidance all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 14—ADOPTION OF ACCOUNTING PRINCIPLES:

The CSB implemented provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based IT Arrangements (SBITAs)* during the fiscal year ended June 30, 2023. Statement No. 96, *SBITAs* requires recognition of certain subscription assets and liabilities for certain contracts that convey control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. No restatement of beginning net position was required as a result of this implementation using the facts and circumstances that existed at the beginning of the year of implementation. The following balances were recognized as of July 1, 2022 related to the subscriptions:

	<u>CSB</u>
Subscription assets	\$ <u>2,824,071</u>
Subscription liabilities	\$ <u>2,824,071</u>

NOTE 15—UPCOMING PRONOUNCEMENTS:

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

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

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

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, effective for fiscal years beginning after June 15, 2023.

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

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REQUIRED SUPPLEMENTARY INFORMATION

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

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

Pension Plan

For the Measurement Dates of June 30, 2014 through June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability			
Service cost	\$ 2,030,652	\$ 2,296,223	\$ 2,314,211
Interest	5,350,208	4,875,757	4,502,316
Differences between expected and actual experience	(1,361,778)	(2,037,229)	1,151,187
Changes in assumptions		2,625,991	-
Benefit payments	(2,937,082)	(2,587,900)	(2,282,606)
Net change in total pension liability	\$ 3,082,000	\$ 5,172,842	\$ 5,685,108
Total pension liability - beginning	78,700,229	73,527,387	67,842,279
Total pension liability - ending (a)	<u>\$ 81,782,229</u>	<u>\$ 78,700,229</u>	<u>\$ 73,527,387</u>
Plan fiduciary net position			
Contributions - employer	\$ 358,127	\$ 368,339	\$ 323,845
Contributions - employee	1,145,202	1,171,688	1,256,361
Net investment income	(105,348)	21,807,760	1,511,475
Benefit payments	(2,937,082)	(2,587,900)	(2,282,606)
Administrator charges	(62,502)	(53,802)	(50,946)
Other	2,323	2,061	(1,798)
Net change in plan fiduciary net position	\$ (1,599,280)	\$ 20,708,146	\$ 756,331
Plan fiduciary net position - beginning	100,449,296	79,741,150	78,984,819
Plan fiduciary net position - ending (b)	<u>\$ 98,850,016</u>	<u>\$ 100,449,296</u>	<u>\$ 79,741,150</u>
CSB's net pension asset - ending (a) - (b)	\$ (17,067,787)	\$ (21,749,067)	\$ (6,213,763)
Plan fiduciary net position as a percentage of the total pension liability	120.87%	127.64%	108.45%
Covered payroll	\$ 25,228,573	\$ 25,507,751	\$ 27,452,989
CSB's net pension asset as a percentage of covered payroll	-67.65%	-85.26%	-22.63%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	2,219,023	\$ 2,416,756	\$ 2,568,823	\$ 2,609,101	\$ 2,686,402	\$ 3,007,464
	4,231,829	3,980,116	3,781,978	3,497,615	3,342,042	3,017,837
	(225,965)	(589,691)	(680,916)	(506,031)	(2,441,434)	-
	2,206,860	-	(847,841)	-	-	-
	(2,088,328)	(2,334,248)	(1,648,737)	(1,427,980)	(1,301,091)	(1,486,530)
\$	6,343,419	\$ 3,472,933	\$ 3,173,307	\$ 4,172,705	\$ 2,285,919	\$ 4,538,771
	61,498,860	58,025,927	54,852,620	50,679,915	48,393,996	43,855,225
\$	<u>67,842,279</u>	<u>61,498,860</u>	<u>58,025,927</u>	<u>54,852,620</u>	<u>50,679,915</u>	<u>48,393,996</u>
\$	318,792	\$ 588,176	\$ 637,150	\$ 1,291,789	\$ 1,269,061	\$ 1,855,976
	1,275,333	1,291,429	1,378,082	1,385,675	1,320,251	1,374,201
	4,998,249	5,164,976	7,617,894	1,101,066	2,599,385	7,498,891
	(2,088,328)	(2,334,248)	(1,648,737)	(1,427,980)	(1,301,091)	(1,486,530)
	(48,605)	(44,048)	(42,765)	(35,986)	(33,780)	(38,533)
	(3,153)	(4,626)	(6,828)	(452)	(557)	395
\$	4,452,288	\$ 4,661,659	\$ 7,934,796	\$ 2,314,112	\$ 3,853,269	\$ 9,204,400
	74,532,531	69,870,872	61,936,076	59,621,964	55,768,695	46,564,295
\$	<u>78,984,819</u>	<u>74,532,531</u>	<u>69,870,872</u>	<u>61,936,076</u>	<u>59,621,964</u>	<u>55,768,695</u>
\$	(11,142,540)	\$ (13,033,671)	\$ (11,844,945)	\$ (7,083,456)	\$ (8,942,049)	\$ (7,374,699)
	116.42%	121.19%	120.41%	112.91%	117.64%	115.24%
\$	27,564,448	\$ 27,587,321	\$ 28,578,128	\$ 27,935,037	\$ 27,294,419	\$ 26,687,258
	-40.42%	-47.25%	-41.45%	-25.36%	-32.76%	-27.63%

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

**Schedule of Employer Contributions
Pension Plan**

For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution* (1)	Contributions in Relation to Contractually Required Contribution* (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2023	\$ 123,572	\$ 123,572	\$ -	\$ 26,408,798	0.47%
2022	332,468	332,468	-	25,228,573	1.32%
2021	350,500	350,500	-	25,507,751	1.37%
2020	301,482	301,482	-	27,452,989	1.10%
2019	330,777	330,777	-	27,564,448	1.20%
2018	587,431	587,431	-	27,587,321	2.13%
2017	743,031	743,031	-	28,578,128	2.60%
2016	1,366,023	1,366,023	-	27,935,037	4.89%
2015	1,310,312	1,310,312	-	27,294,419	4.80%
2014	1,860,800	1,860,800	-	26,687,258	6.97%

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

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information
Pension Plan
Year Ended June 30, 2023

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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OTHER SUPPLEMENTARY INFORMATION

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COMBINING FINANCIAL STATEMENTS

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD
Combining Statement of Net Position
June 30, 2023

	Hampton- Newport News Community Services Board		Hampton- Newport News Community Services Board Property Company, Inc.
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 711,462	\$	2,139,628
Accounts receivable, less allowance for uncollectibles	11,458,468		-
Leases receivable, current portion	-		169,443
Prepaid items	143,265		-
Total current assets	\$ 12,313,195	\$	2,309,071
Noncurrent Assets:			
Restricted cash and cash equivalents	\$ 17,733,688	\$	2,793,514
Security deposits	10,228		10,000
Long-term leases receivable, less current portion	-		42,949
Due from other agencies	-		470,000
Net pension asset	17,067,787		-
Capital assets:			
Land and other non-depreciable capital assets	694,315		4,916,053
Other capital assets, less accumulated depreciation	2,631,674		9,654,535
Subscription assets, less accumulated depreciation	2,203,254		-
Total noncurrent assets	\$ 40,340,946	\$	17,887,051
Total assets	\$ 52,654,141	\$	20,196,122
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 614,611	\$	-
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 3,218,498	\$	207,012
Wages payable	1,301,471		-
Other current liabilities	1,186,988		-
Accrued interest payable	-		38,521
Compensated absences, current portion	173,083		-
Notes payable, current portion	12,000		662,095
Subscription liabilities, current portion	596,535		-
Total current liabilities	\$ 6,488,575	\$	907,628
Current Liabilities Payable From Restricted Funds:			
Unearned regional revenue	\$ 17,628,688	\$	-
Donation	105,000		-
Security deposits	-		10,000
Total current liabilities payable from restricted assets	\$ 17,733,688	\$	10,000
Total current liabilities	\$ 24,222,263	\$	917,628
Long-Term Liabilities:			
Compensated absences, less current portion	\$ 1,557,750	\$	-
Notes payable, less current portion	158,000		9,768,232
Subscription liabilities, less current portion	1,537,756		-
Total long-term liabilities	\$ 3,253,506	\$	9,768,232
Total liabilities	\$ 27,475,769	\$	10,685,860
DEFERRED INFLOW OF RESOURCES			
Pension related items	\$ 3,980,723	\$	-
Lease related	-		203,064
Total deferred inflows of resources	\$ 3,980,723	\$	203,064
NET POSITION			
Net investment in capital assets	\$ 3,224,952	\$	4,140,261
Restricted	17,078,015		2,803,514
Unrestricted	1,509,293		2,363,423
Total net position	\$ 21,812,260	\$	9,307,198

Share-A-Homes of the Virginia Peninsula, Inc.	Peninsula Community Homes, Inc.	Total
\$ 377,194	\$ 90,403	\$ 3,318,687
-	-	11,458,468
-	-	169,443
-	-	143,265
<u>\$ 377,194</u>	<u>\$ 90,403</u>	<u>\$ 15,089,863</u>
\$ 297,028	\$ -	\$ 20,824,230
-	-	20,228
-	-	42,949
460	825	471,285
-	-	17,067,787
291,036	-	5,901,404
1,524,608	-	13,810,817
-	-	2,203,254
<u>\$ 2,113,132</u>	<u>\$ 825</u>	<u>\$ 60,341,954</u>
<u>\$ 2,490,326</u>	<u>\$ 91,228</u>	<u>\$ 75,431,817</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 614,611</u>
\$ 143	\$ -	\$ 3,425,653
-	-	1,301,471
-	-	1,186,988
4,057	-	42,578
-	-	173,083
60,689	-	734,784
-	-	596,535
<u>\$ 64,889</u>	<u>\$ -</u>	<u>\$ 7,461,092</u>
\$ -	\$ -	\$ 17,628,688
-	-	105,000
-	-	10,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,743,688</u>
<u>\$ 64,889</u>	<u>\$ -</u>	<u>\$ 25,204,780</u>
\$ -	\$ -	\$ 1,557,750
902,639	-	10,828,871
-	-	1,537,756
<u>\$ 902,639</u>	<u>\$ -</u>	<u>\$ 13,924,377</u>
<u>\$ 967,528</u>	<u>\$ -</u>	<u>\$ 39,129,157</u>
\$ -	\$ -	\$ 3,980,723
-	-	203,064
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,183,787</u>
\$ 852,316	\$ -	\$ 8,217,529
297,028	-	20,178,557
373,454	91,228	4,337,398
<u>\$ 1,522,798</u>	<u>\$ 91,228</u>	<u>\$ 32,733,484</u>

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023

	Hampton- Newport News Community Services Board	Hampton- Newport News Community Services Board Property Company, Inc.
Operating Revenues:		
Net patient service revenue - Direct client and third party	\$ 9,022,155	\$ -
Net patient service revenue - Medicaid	16,199,423	-
Net patient service revenue - Other	65,207	-
Other	3,178,731	-
Total operating revenues	<u>\$ 28,465,516</u>	<u>\$ -</u>
Operating Expenses:		
Salaries and benefits	\$ 42,236,913	\$ -
Staff development	299,692	-
Facility	4,798,484	66,741
Supplies	1,998,579	-
Travel	563,045	-
Contractual and consulting	2,602,146	42,000
Depreciation	1,040,039	752,786
Client support	3,449,343	-
Other	643,843	-
Total operating expenses	<u>\$ 57,632,084</u>	<u>\$ 861,527</u>
Operating Income (Loss)	<u>\$ (29,166,568)</u>	<u>\$ (861,527)</u>
Nonoperating Income (Expenses):		
Lease income	\$ -	\$ 1,756,163
Other	-	-
Appropriations:		
Commonwealth of Virginia	23,122,872	-
Federal government	6,417,588	-
Local governments	3,403,891	-
Interest income	30,830	2,258
Gain on disposition of capital assets	4,162	-
Interest expense	(45,865)	(459,709)
Net nonoperating income (expense)	<u>\$ 32,933,478</u>	<u>\$ 1,298,712</u>
Change in Net Position	<u>\$ 3,766,910</u>	<u>\$ 437,185</u>
Net Position, Beginning of Year	<u>18,045,350</u>	<u>8,870,013</u>
Net Position, End of Year	<u><u>\$ 21,812,260</u></u>	<u><u>\$ 9,307,198</u></u>

Share-A- Homes of the Virginia Peninsula, Inc.	Peninsula Community Homes, Inc.	Inter- Company Eliminations	Total
\$ -	\$ -	\$ -	\$ 9,022,155
-	-	-	16,199,423
-	-	-	65,207
-	-	(57,000)	3,121,731
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,000)</u>	<u>\$ 28,408,516</u>
\$ -	\$ -	\$ -	\$ 42,236,913
-	-	-	299,692
20,995	-	(1,782,600)	3,103,620
-	-	-	1,998,579
-	-	-	563,045
14,984	25	(57,000)	2,602,155
108,880	-	-	1,901,705
-	-	-	3,449,343
-	-	-	643,843
<u>\$ 144,859</u>	<u>\$ 25</u>	<u>\$ (1,839,600)</u>	<u>\$ 56,798,895</u>
<u>\$ (144,859)</u>	<u>\$ (25)</u>	<u>\$ 1,782,600</u>	<u>\$ (28,390,379)</u>
\$ 209,400	\$ -	\$ (1,782,600)	\$ 182,963
19,500	-	-	19,500
-	-	-	23,122,872
-	-	-	6,417,588
-	-	-	3,403,891
-	-	-	33,088
-	-	-	4,162
(50,012)	-	-	(555,586)
<u>\$ 178,888</u>	<u>\$ -</u>	<u>\$ (1,782,600)</u>	<u>\$ 32,628,478</u>
\$ 34,029	\$ (25)	\$ -	\$ 4,238,099
<u>1,488,769</u>	<u>91,253</u>	<u>-</u>	<u>28,495,385</u>
<u>\$ 1,522,798</u>	<u>\$ 91,228</u>	<u>\$ -</u>	<u>\$ 32,733,484</u>

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Combining Statement of Cash Flows
Year Ended June 30, 2023

	<u>Hampton- Newport News Community Services Board</u>
Cash flows from operating activities:	
Receipts from customers	\$ 21,988,588
Payments to suppliers	(13,370,362)
Payments to and for employees	(43,769,398)
Total cash flows provided by (used for) operating activities	<u>\$ (35,151,172)</u>
Cash flows from noncapital and related financing activities:	
Other	\$ -
Government grants	34,222,049
Donations	105,000
Total cash flows provided by (used for) noncapital and related financing activities	<u>\$ 34,327,049</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (3,439,751)
Proceeds from sale of assets	4,162
Sale of capital assets	2,838
Proceeds from long-term obligations issued	2,824,071
Lease income	-
Interest on long-term debt	(45,865)
Principal paid on notes payable	(701,780)
Total cash flows provided by (used for) capital and related financing activities	<u>\$ (1,356,325)</u>
Cash flows from investing activities:	
Interest income	\$ 30,830
Net increase (decrease) in cash and cash equivalents	<u>\$ (2,149,618)</u>
Cash and cash equivalents, beginning of year (including restricted cash of \$19,441,259)	<u>20,594,768</u>
Cash and cash equivalents, end of year, including restricted (including restricted cash of \$20,824,230)	<u><u>\$ 18,445,150</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (29,166,568)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:	
Depreciation	1,040,039
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Accounts receivable	(6,476,928)
Prepaid items	38,027
Net pension asset	4,681,280
Deferred outflows of resources	1,629,865
Accounts payable and accrued expenses	515,538
Wages payable	173,803
Other accrued liabilities	431,205
Compensated absences	83,210
Deferred inflows of resources	(8,100,643)
Cash flows provided by (used for) operating activities	<u><u>\$ (35,151,172)</u></u>

Hampton- Newport News Community Services Board Property Company, Inc.	Share-A- Homes of the Virginia Peninsula, Inc.	Peninsula Community Homes, Inc.	Inter- Company Eliminations	Total
\$ -	\$ -	\$ -	\$ (57,000)	\$ 21,931,588
(110,630)	(44,458)	(25)	1,839,600	(11,685,875)
-	-	-	-	(43,769,398)
<u>\$ (110,630)</u>	<u>\$ (44,458)</u>	<u>\$ (25)</u>	<u>\$ 1,782,600</u>	<u>\$ (33,523,685)</u>
\$ -	\$ 19,500	\$ -	\$ -	\$ 19,500
-	-	-	-	34,222,049
-	-	-	-	105,000
<u>\$ -</u>	<u>\$ 19,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,346,549</u>
\$ (232,162)	\$ (83,238)	\$ -	\$ -	\$ (3,755,151)
-	-	-	-	4,162
-	-	-	-	2,838
-	-	-	-	2,824,071
1,755,271	209,400	-	(1,782,600)	182,071
(456,608)	(49,612)	-	-	(552,085)
<u>(641,828)</u>	<u>(54,852)</u>	<u>-</u>	<u>-</u>	<u>(1,398,460)</u>
<u>\$ 424,673</u>	<u>\$ 21,698</u>	<u>\$ -</u>	<u>\$ (1,782,600)</u>	<u>\$ (2,692,554)</u>
<u>\$ 2,258</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,088</u>
\$ 316,301	\$ (3,260)	\$ (25)	\$ -	\$ (1,836,602)
<u>4,616,841</u>	<u>677,482</u>	<u>90,428</u>	<u>-</u>	<u>25,979,519</u>
<u>\$ 4,933,142</u>	<u>\$ 674,222</u>	<u>\$ 90,403</u>	<u>\$ -</u>	<u>\$ 24,142,917</u>
\$ (861,527)	\$ (144,859)	\$ (25)	\$ 1,782,600	\$ (28,390,379)
752,786	108,880	-	-	1,901,705
-	-	-	-	(6,476,928)
-	-	-	-	38,027
-	-	-	-	4,681,280
-	-	-	-	1,629,865
(1,889)	(8,479)	-	-	505,170
-	-	-	-	173,803
-	-	-	-	431,205
-	-	-	-	83,210
-	-	-	-	(8,100,643)
<u>\$ (110,630)</u>	<u>\$ (44,458)</u>	<u>\$ (25)</u>	<u>\$ 1,782,600</u>	<u>\$ (33,523,685)</u>

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

**To the Board of Directors
Hampton-Newport News Community Services Board
Hampton, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the aggregate remaining fund information of Hampton-Newport News Community Services Board as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Hampton-Newport News Community Services Board's basic financial statements and have issued our report thereon dated November 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hampton-Newport News Community Services 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hampton-Newport News Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Hampton-Newport News Community Services Board's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Fennell, Cox Associates

Richmond, Virginia
November 10, 2023



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

**To the Board of Directors
Hampton-Newport News Community Services Board
Hampton, Virginia**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hampton-Newport News Community Services Board's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hampton-Newport News Community Services Board's major federal programs for the year ended June 30, 2023. Hampton-Newport News Community Services Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hampton-Newport News Community Services Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Hampton-Newport News Community Services Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hampton-Newport News Community Services Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hampton-Newport News Community Services Board's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hampton-Newport News Community Services Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hampton-Newport News Community Services Board's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hampton-Newport News Community Services Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hampton-Newport News Community Services Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hampton-Newport News Community Services Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control over Compliance (Continued)

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Fournier, Cox Associates

Richmond, Virginia
November 10, 2023

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identification Number	Federal Expenditures
<u>Department of Agriculture</u>			
Pass-Through Payments:			
Virginia Department of Health: Child and Adult Care Food Program	10.558	not available	\$ <u>25,948</u>
<u>Department of Housing and Urban Development</u>			
Direct Payments:			
Supportive Housing Program	14.235	not applicable	\$ <u>494,061</u>
<u>Department of Transportation</u>			
Pass-Through Payments:			
Virginia Department of Rail and Public Transportation: Transit Services Programs Cluster: Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	not available	\$ <u>325,257</u>
<u>Department of Treasury</u>			
Pass-Through Payments:			
Virginia Department of Behavioral Health and Developmental Services: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	not available	\$ <u>190,000</u>
<u>Department of Health and Human Services</u>			
Direct Payments:			
Substance Abuse and Mental Health Services of Regional and National Significance	93.243	not applicable	\$ 407,165
Pass-Through Payments:			
Virginia Department of Behavioral Health and Developmental Services: Substance Abuse and Mental Health Services of Regional and National Significance	93.243	445001-115446	<u>58,654</u> \$ <u>465,819</u>
Projects for Assistance in Transition from Homelessness (PATH)	93.150	445006-117415;119416	\$ 100,615
Opioid STR	93.788	445001-119312;119313;119314	729,979
Block Grants for Community Mental Health Services	93.958	445006-119419	1,918,377
Block Grants for Prevention and Treatment of Substance Abuse	93.959	445001-118775;118776 445001-119422;119425	<u>2,167,532</u>
Total Department of Health and Human Services			\$ <u>5,382,322</u>
Total expenditures of federal awards			\$ <u><u>6,417,588</u></u>

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note A - Basis of Accounting:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Hampton-Newport News Community Services Board under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hampton-Newport News Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hampton-Newport News Community Services Board.

Note B - Summary of Significant Accounting Policies:

- (1) Expenditures are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Hampton-Newport News Community Services Board did not elect to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.
- (3) Pass-through identifying numbers are presented where available.

Note C - Subrecipients:

No awards were passed through to subrecipients.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs:

Assistance

<u>Listing #</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Relief Funds
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023**

There were no prior year findings.

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