

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

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HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Board of Directors

Venerria Thomas
Chair

Steven Bond
Vice Chair

Thomas F. Morehouse, III
Treasurer

June Owens
Secretary

Members of the Board

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Sheriff Karen Bowden
Steven Brown
Beatrice Dahlen
Arva C. Davidson
Madonna Flores

Susan Harris
Elva Williams Hunt
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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of Hampton-Newport News Community Services Board as of June 30, 2022, 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 2022, Hampton-Newport News Community Services Board adopted new accounting guidance, GASB Statement Nos. 87, *Leases*. 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, *Governmental 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, *Governmental 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

Required Supplementary Information (Continued)

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 and individual fund 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 3, 2022, 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.

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

Richmond, Virginia
November 3, 2022

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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, 2022. 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 statement 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 Schedules 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

	2022	2021
Operating revenues and appropriations	\$ 54,899,950	\$ 54,141,037
Operating expenses	51,164,669	53,973,417
Excess before interest income (expense)	3,735,281	167,620
Interest income	8,298	3,883
Rent of property	177,868	206,289
Interest expense	(496,670)	(552,898)
Change in net position	\$ 3,424,777	\$ (145,106)

The increase in net position for the year ended June 30, 2022 of \$3,424,777 occurred primarily in the CSB business entity which had a net change in position before transfers of approximately \$2.8 million. As a result of the annual pension assessment, the CSB net expenses were decreased \$1.6 million in pension related expenses resulting in an increase in net position.

Operating revenues and appropriations, the net change was an approximately \$.75 million decrease. The majority of this decrease was in the, Net Patient service revenues were down approximately \$800,000. We continued with COVID restructure of our group day programs. This allowed us to successfully operate the programs, while adhering to ongoing COVID restrictions including social distancing and gathering mandates, limiting our ability to operate some programs at full capacity. We also reduced capacity in some of our programs. In addition, the funding structure for our Regional funds changed to a reimbursement basis from upfront funding. We have continued to seek to diversify our funding streams by pursuing all applicable grant funds.

Operating expenses were down by approximately \$2.8 million. The majority of this was in Salaries and Benefits. As an agency, we have faced a high volume of workforce challenges with vacancies in hard to staff positions. Change in our day programs also resulted in change in staffing. Additionally we worked to reduce expenses limiting travel and other expenses, to offset the costs of COVID supplies and equipment. Payroll and benefits continue to be a significant part of the Company operating expenses (73% in both 2021 and 2022).

There was no utilization of the Company's line of credit in fiscal years 2022 or 2021. The interest rate remains the same for 2022 and 2021.

Uncompensated care was approximately \$4.8 million and \$4.5 million in 2022 and 2021, 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	2022	2021
Current and other assets	\$ 11,862,790	\$ 11,336,380
Restricted Assets	19,461,487	12,100,575
Long-Term Lease Receivable	212,253	
Capital Assets - net of depreciation	20,064,867	20,526,789
Due from other agencies	471,285	470,800
Net pension asset	21,749,067	6,213,763
Total Assets	\$ 73,821,749	\$ 50,648,306
Deferred outflows of resources		
Pension contributions made subsequent to measurement date	\$ 332,468	\$ 350,500
Items related to measurement of net pension asset	1,912,008	3,873,834
Total deferred outflows of resources	2,244,476	4,224,334
Liabilities		
Current Liabilities	\$ 22,107,806	\$ 15,827,589
Long-term Liabilities	13,016,153	13,832,324
Total Liabilities	35,123,959	29,659,913
Deferred inflows of resources		
Items related to measurement of net pension asset	\$ 12,081,366	\$ 142,119
Lease Related	365,515	
Total deferred inflow of resources	12,446,881	142,119
Net Assets		
Net investment in capital assets	\$ 7,792,532	\$ 7,549,630
Restricted	24,859,564	9,314,400
Unrestricted	(4,156,711)	8,206,578
Total net position	\$ 28,495,385	\$ 25,070,608

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

• Assets and Liabilities

- During 2022, current and other assets increased by \$.5 million primarily related to the cash.
- This year we have a new category of Long-Term Lease Receivable. This is a new GASB 87 standard requiring entities to include lease information within the financial statements.
- Restricted assets are up approximately \$7.3 million due mainly to cash from regional/restricted programs received in 2022 that will be expensed in upcoming years. This includes \$4.7 million in funding for the implementation of the Crisis Receiving Center.
- Capital assets are down approximately \$.4 million mainly due to limited additions offset by normal depreciation expense.
- Due from other agencies remained constant from 2021 to 2022.
- Net pension asset is up \$15.5 million from the prior year due to an investment return assumption of 6.75% in 2022 versus 5.75% in 2021. The CSB recognized a decrease in pension expense of \$1.6 million.
- Current liabilities are up approximately \$6.2 million compared to 2021. There was an increase in the unearned (deferred) revenue of \$7.3 million in 2022 attributable to new funding streams not utilized fully in 2022. We experienced a decrease in health insurance related costs, which are reflected in our health insurance payable and IBNR total at \$279K. Implemented a reserve for our new E.H.R to fund any additional software needs.
- Long terms liabilities are down approximately \$816K from 2021 to 2022 due mainly to scheduled debt payments.
- Change in Net Position - The increase in net position of approximately \$3.4 million 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:

	2022	2021
Cash Flows from Operating Activities	\$ (27,042,237)	\$ (24,313,192)
Cash Flows from Non-Capital Activities	36,757,456	29,720,175
Cash Flows from Capital Activities	(1,742,014)	(1,467,665)
Cash Flows from Investing Activities	8,298	3,883
Net Increase in Cash	\$ 7,981,503	\$ 3,943,201
Cash - Beginning of Year	\$ 17,998,016	\$ 14,054,816
Cash - End of Year	<u>25,979,519</u>	<u>17,998,016</u>

Cash flows (use of cash) for operating activities increased by approximately \$2.7 million in 2022 over 2021.

Cash flows from Non-Capital Activities increased by approximately \$7.2K in 2022 over 2021. The majority is due to the increase in deferred funds for FY2022.

Cash flows used for Capital Activities increased approximately \$440k between 2022 and 2021. This includes the start up for our new E.H.R.

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, 2022, 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

Hampton-Newport News CSB	\$ 182,000
Hampton-Newport News Property Company, Inc.	11,072,155
Share-A-Homes of the Virginia Peninsula	<u>1,018,180</u>
Total long-term debt (including current portion)	<u>\$ 12,272,335</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, 2022.

At June 30, 2022 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 -Newport News Community Services Board, Hampton-Newport News 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 2022, 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, 2022**

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 6,538,260
Accounts receivable, less allowance for uncollectibles	4,981,541
Leases receivable, current portion	161,697
Prepaid items	181,292
Total current assets	\$ <u>11,862,790</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	\$ 19,441,259
Security deposits	20,228
Leases receivable, less current portion	212,253
Due from other agencies	471,285
Net pension asset	21,749,067
Capital assets:	
Land and other non-depreciable capital assets	5,842,014
Other capital assets, less accumulated depreciation	14,222,853
Total noncurrent assets	\$ <u>61,958,959</u>
Total assets	\$ <u>73,821,749</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ <u>2,244,476</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 2,920,483
Wages payable	1,127,668
Other current liabilities	755,783
Accrued interest payable	39,077
Compensated absences, current portion	164,762
Notes payable, current portion	739,043
Current Liabilities Payable From Restricted Funds:	
Unearned regional revenue	16,350,990
Security deposits	10,000
Total current liabilities	\$ <u>22,107,806</u>
Long-Term Liabilities:	
Compensated absences, less current portion	\$ 1,482,861
Notes payable, less current portion	11,533,292
Total long-term liabilities	\$ <u>13,016,153</u>
Total liabilities	\$ <u>35,123,959</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 12,081,366
Lease related	365,515
Total deferred inflows of resources	\$ <u>12,446,881</u>
NET POSITION	
Net investment in capital assets	\$ 7,792,532
Restricted	24,859,564
Unrestricted	(4,156,711)
Total net position	\$ <u><u>28,495,385</u></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, 2022**

Operating Revenues:

Net patient service revenue - Direct client and third party	\$ 12,716,901
Net patient service revenue - Medicaid	10,743,834
Net patient service revenue - Other	66,892
Other	1,975,919
	<hr/>
Total operating revenues	\$ 25,503,546

Operating Expenses:

Salaries and benefits	\$ 37,970,339
Staff development	253,562
Facility	2,827,689
Supplies	2,504,268
Travel	359,117
Contractual and consulting	2,582,738
Depreciation	1,169,637
Client support	3,049,002
Other	448,317
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Total operating expenses	\$ 51,164,669

Operating Income (Loss)	\$ (25,661,123)
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Nonoperating Income (Expenses):

Lease income	\$ 177,868
Other	131,665
Appropriations:	
Commonwealth of Virginia	20,930,620
Federal government	4,686,957
Local governments	3,647,162
Interest income	8,298
Interest expense	(496,670)
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Net nonoperating income (expense)	\$ 29,085,900

Change in Net Position	\$ 3,424,777
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Net Position, Beginning of Year	25,070,608
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Net Position, End of Year	\$ 28,495,385
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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, 2022**

Cash flows from operating activities:	
Receipts from customers	\$ 25,695,212
Payments to suppliers	(13,196,429)
Payments to and for employees	(39,541,020)
	<u>(39,541,020)</u>
Total cash flows provided by (used for) operating activities	\$ (27,042,237)
Cash flows from noncapital and related financing activities:	
Other	\$ 78,372
Government grants	36,625,791
Other agencies	53,293
	<u>53,293</u>
Total cash flows provided by (used for) noncapital and related financing activities	\$ 36,757,456
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (709,589)
Sale of capital assets	1,875
Lease income	169,432
Interest on long-term debt	(498,908)
Capitalized loan costs	
Principal payments on notes payable	(704,824)
	<u>(704,824)</u>
Total cash flows provided by (used for) capital and related financing activities	\$ (1,742,014)
Cash from investing activities:	
Interest income	\$ 8,298
	<u>8,298</u>
Net increase (decrease) in cash and cash equivalents	\$ 7,981,503
Cash and cash equivalents, beginning of year	
(including restricted cash of \$12,080,347)	<u>17,998,016</u>
Cash and cash equivalents, end of year	
(including restricted cash of \$19,441,259)	<u><u>25,979,519</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (25,661,123)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:	
Depreciation	1,169,637
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Accounts receivable	191,666
Prepaid items	64,211
Net pension asset	(15,535,304)
Deferred outflows of resources	1,979,858
Accounts payable and accrued expenses	(1,198,916)
Wages payable	110,549
Other accrued liabilities	(36,546)
Due to/from affiliates	(1,285)
Due to/from agencies	800
Compensated absences	(65,031)
Deferred inflows of resources	11,939,247
	<u>11,939,247</u>
Cash flows provided by (used for) operating activities	\$ (27,042,237)

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

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Statement of Fiduciary Net Position
June 30, 2022

	Private-Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and cash equivalents	\$ 337,760	\$ 196,805
Total assets	\$ 337,760	\$ 196,805
NET POSITION		
Restricted for:		
Client and consumer funds	\$ 337,760	\$ 196,805
Total net position	\$ 337,760	\$ 196,805

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Statement of Changes in Fiduciary Net Position Year Ended June 30, 2022

	Private-Purpose Trust Fund	Custodial Fund
ADDITIONS		
Interest	\$ 457	\$ -
Client funds	-	6,942
Total additions	\$ 457	\$ 6,942
DEDUCTIONS		
Clients' personal use of funds	\$ 247	\$ 31,180
Total deductions	\$ 247	\$ 31,180
Net increase (decrease) in fiduciary net position	\$ 210	\$ (24,238)
Net position, beginning	337,550	221,043
Net position, ending	\$ 337,760	\$ 196,805

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HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2022

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, 2022 (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, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The CSB has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the pension note.

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

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.

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 \$2,618,505 at June 30, 2022.

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.

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 as well as 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, 2022 (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, 2022 the allowance for doubtful accounts was \$2,618,505.

Capital Assets

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease 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
Intangibles	5 years

Leases

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

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).

Key Estimates and Judgments

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

- The CSB uses the interest rate stated in lease 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.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2022 (Continued)

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

Leases (Continued)

Key Estimates and Judgments (Continued)

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

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

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.

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.

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HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2022 (Continued)

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 and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). 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, 2022 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

Board's Rated Debt Investments' Values	
Rated Debt Investments	Fair
	Quality Ratings
	AAAm
Local Government Investment Pool	\$ 10,689

Interest Rate Risk

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 10,689	\$ 10,689

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2022 (Continued)

NOTE 3-DEPOSITS AND INVESTMENTS: (CONTINUED)

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:

	Balances			Balances	
	July 1, 2021	Increases	Decreases	June 30, 2022	
Non-Depreciable Capital Assets					
Land	\$ 5,838,835	\$ -	\$ -	\$ 5,838,835	
Construction in progress	15,142	4,863	16,826	3,179	
Total not subject to depreciation	<u>\$ 5,853,977</u>	<u>\$ 4,863</u>	<u>\$ 16,826</u>	<u>\$ 5,842,014</u>	
Depreciable Capital Assets					
Buildings	\$ 25,978,440	\$ -	\$ -	\$ 25,978,440	
Furniture/equipment	2,473,209	16,387	-	2,489,596	
Vehicles	2,760,473	148,987	91,300	2,818,160	
Leasehold improvements	4,761,716	257,846	-	5,019,562	
Intangibles	66,409	298,333	-	364,742	
Total depreciable capital assets	<u>\$ 36,040,247</u>	<u>\$ 721,553</u>	<u>\$ 91,300</u>	<u>\$ 36,670,500</u>	
Accumulated Depreciation	<u>\$ 21,367,435</u>	<u>\$ 1,169,637</u>	<u>\$ 89,425</u>	<u>\$ 22,447,647</u>	
Net Depreciable Capital Assets	<u>\$ 14,672,812</u>	<u>\$ (448,084)</u>	<u>\$ 1,875</u>	<u>\$ 14,222,853</u>	
Capital Assets, Net	<u>\$ 20,526,789</u>	<u>\$ (443,221)</u>	<u>\$ 18,701</u>	<u>\$ 20,064,867</u>	

NOTE 5-LOCAL REVENUES:

Appropriations from local governments consisted of the following:

City of Hampton	\$ 1,818,136
City of Newport News	1,829,026
Total	<u>\$ 3,647,162</u>

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2022 (Continued)

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:

State Revenue:	
MH grants	\$ 8,481,034
MR grants	221,019
Regional funds	5,142,944
SA grants	343,548
Federal Revenue:	
ARPA grants	619,558
SA grants	1,542,887
Total	<u>\$ 16,350,990</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, 2022, the CSB outstanding balance against this line of credit was \$0 and the interest rate was 4.55%.

NOTE 8-LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term debt obligation transactions for the year ended June 30, 2022:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Compensated Absences	\$ 1,712,654	\$ 106,594	\$ 171,625	\$ 1,647,623
Direct Borrowings and Placements	12,977,159	-	704,824	12,272,335
Total	<u>\$ 14,689,813</u>	<u>\$ 106,594</u>	<u>\$ 876,449</u>	<u>\$ 13,919,958</u>

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2022 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of CSB's long-term obligations at June 30, 2022 are as follows:

	Interest Rates	Issue Date	Maturity Date	Original Amount	Balance at 6/30/2022	Due Within One Year
Direct Borrowings and Placements:						
TowneBank	5.50%	8/8/2012	8/8/2037	\$ 300,000	\$ 182,000	\$ 12,000
TowneBank	(A)	7/23/2015	8/1/2035	14,000,000	10,313,973	621,229
TowneBank	(B)	7/23/2015	8/1/2035	1,030,000	758,182	46,231
TowneBank	(C)	7/23/2015	8/1/2035	1,366,000	1,018,180	59,583
Total Direct Borrowings and Placements					<u>\$ 12,272,335</u>	<u>\$ 739,043</u>
Other Long-term Obligations:						
Compensated Absences	N/A	N/A	N/A	N/A	\$ 1,647,623	\$ 164,762
Total Long-term Obligations					<u>\$ 13,919,958</u>	<u>\$ 903,805</u>

(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.

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

	Notes Payable From Direct Borrowings and Placements	
	Principal	Interest
2023	\$ 739,043	\$ 464,032
2024	767,739	434,796
2025	797,569	404,425
2026	828,578	372,876
2027	860,814	340,101
2028-2032	4,834,016	1,162,456
2033-2037	3,442,576	215,709
2038	2,000	12
	<u>\$ 12,272,335</u>	<u>\$ 3,394,407</u>

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2022 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

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, 2022. The CSB met the debt service coverage ratio for the year ended June 30, 2022.

NOTE 9—LEASE RECEIVABLE:

The following is a summary of lease receivable transactions of the CS for the year ended June 30, 2022:

	Beginning Balance	Adjustments (1)	Beginning Balance, as adjusted	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Interest Revenue
Lease receivable	\$ -	\$ 527,966	\$ 527,966	\$ -	\$ (154,015)	\$ 373,951	\$ 3,502

(1) Beginning balance was adjusted due to the implementation of GASB Statement No. 87.

Details of lease receivable:

Lease Description	Start Date	End Date	Payment Frequency	Ending Balance
Office building	2022	2025	Monthly	\$ 373,951

There are no variable payments for the lease receivable above

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.

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NOTE 10—PENSION PLAN: (CONTINUED)

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%. 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.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2022 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	204
Inactive members:	
Vested inactive members	181
Non-vested inactive members	427
Inactive members active elsewhere in VRS	<u>271</u>
Total inactive members	879
Active members	<u>561</u>
Total covered employees	<u><u>1,644</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, 2022 was 2.08% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the CSB were \$332,468 and \$350,500 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Asset

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

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2022 (Continued)

NOTE 10—PENSION PLAN

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, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

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HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2022 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: (Continued)

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

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, 2022 (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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

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

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, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021, on, participating employers are assumed to

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 10-PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

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

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2020	\$ 73,527,387	\$ 79,741,150	\$ (6,213,763)
Changes for the year:			
Service cost	\$ 2,296,223	\$ -	\$ 2,296,223
Interest	4,875,757	-	4,875,757
Differences between expected and actual experience	(2,037,229)	-	(2,037,229)
Assumption changes	2,625,991	-	2,625,991
Contributions - employer	-	368,339	(368,339)
Contributions - employee	-	1,171,688	(1,171,688)
Net investment income	-	21,807,760	(21,807,760)
Benefit payments, including refunds of employee contributions	(2,587,900)	(2,587,900)	-
Administrative expenses	-	(53,802)	53,802
Other changes	-	2,061	(2,061)
Net changes	\$ 5,172,842	\$ 20,708,146	\$ (15,535,304)
Balances at June 30, 2021	\$ 78,700,229	\$ 100,449,296	\$ (21,749,067)

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements
June 30, 2022 (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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Net Pension (Asset)	\$ (10,599,065)	\$ (21,749,067)	\$ (30,854,394)

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

For the year ended June 30, 2022, the CSB recognized pension expense of (\$1,265,892). At June 30, 2022, 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 \$	346,161	\$ 1,209,839
Net difference between projected and actual earnings on pension plan investments	-	10,871,527
Changes of assumptions	1,565,847	-
Employer contributions subsequent to the measurement date	332,468	-
Total	\$ 2,244,476	\$ 12,081,366

\$332,468 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, 2022. 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	
2023	\$ (1,959,834)
2024	(2,383,489)
2025	(2,533,567)
2026	(3,292,468)
2027	-
Thereafter	-

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2022 (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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 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, 2022, the CSB has accruals of \$1,647,623 for compensated absences. The amount of annual and sick leave recognized as expense is the amount earned during the year. At June 30, 2022, this amount was reflected in the statement of net position under current liabilities in the amount of \$164,762 and under long term liabilities - compensated absences of \$1,482,861. 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, 2022, the amount of these liabilities were approximately \$169,478. 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, 2022 (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>
2022	\$ 483,137	\$ 4,329,932	\$ 4,643,591	\$ 169,478
2021	168,475	4,608,602	4,293,940	483,137
2020	270,446	4,447,543	4,549,514	168,475

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, 2022, the estimated liability was \$1,498,692.

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.

Federally Assisted Grant Programs

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, 2022 (Continued)

NOTE 14—ADOPTION OF ACCOUNTING PRINCIPLES:

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

	<u>CSB</u>
Lessor activity:	
Lease receivable	\$ <u>527,966</u>
Deferred inflows of resources - lease	\$ <u>527,966</u>

NOTE 15—UPCOMING PRONOUNCEMENTS:

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

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

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

Statement No. 99, *Omnibus 2022*, addresses (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 for fiscal years beginning after June 15, 2023.

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

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements June 30, 2022 (Continued)

NOTE 15—UPCOMING PRONOUNCEMENTS: (Continued)

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 fiscal years beginning after December 15, 2023.

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

NOTE 16—COVID-19 PANDEMIC FUNDING AND SUBSEQUENT EVENTS:

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

On March 27, 2021, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

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, 2021

	2021	2020
Total pension liability		
Service cost	\$ 2,296,223	\$ 2,314,211
Interest	4,875,757	4,502,316
Differences between expected and actual experience	(2,037,229)	1,151,187
Changes in assumptions	2,625,991	-
Benefit payments	(2,587,900)	(2,282,606)
Net change in total pension liability	\$ 5,172,842	\$ 5,685,108
Total pension liability - beginning	73,527,387	67,842,279
Total pension liability - ending (a)	\$ 78,700,229	\$ 73,527,387
Plan fiduciary net position		
Contributions - employer	\$ 368,339	\$ 323,845
Contributions - employee	1,171,688	1,256,361
Net investment income	21,807,760	1,511,475
Benefit payments	(2,587,900)	(2,282,606)
Administrator charges	(53,802)	(50,946)
Other	2,061	(1,798)
Net change in plan fiduciary net position	\$ 20,708,146	\$ 756,331
Plan fiduciary net position - beginning	79,741,150	78,984,819
Plan fiduciary net position - ending (b)	\$ 100,449,296	\$ 79,741,150
CSB's net pension asset - ending (a) - (b)	\$ (21,749,067)	\$ (6,213,763)
Plan fiduciary net position as a percentage of the total pension liability	127.64%	108.45%
Covered payroll	\$ 25,507,751	\$ 27,452,989
CSB's net pension asset as a percentage of covered payroll	-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.

	2019		2018		2017		2016		2015		2014
\$	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
\$	67,842,279	\$	61,498,860	\$	58,025,927	\$	54,852,620	\$	50,679,915	\$	48,393,996
\$	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
\$	78,984,819	\$	74,532,531	\$	69,870,872	\$	61,936,076	\$	59,621,964	\$	55,768,695
\$	(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, 2013 through June 30, 2022

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)
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%
2013	1,972,169	1,972,169	-	28,133,657	7.01%

* 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, 2022

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

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

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

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

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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, 2022

	Hampton- Newport News Community Services Board	Hampton- Newport News Community Services Board Property Company, Inc.
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,243,778	\$ 1,823,559
Accounts receivable, less allowance for uncollectibles	4,981,541	-
Leases receivable, current portion	-	161,697
Prepaid items	181,292	-
Total current assets	\$ 9,406,611	\$ 1,985,256
Noncurrent Assets:		
Restricted cash and cash equivalents	\$ 16,350,990	\$ 2,793,282
Security deposits	10,228	10,000
Long-term leases receivable, less current portion	-	212,253
Due from other agencies	-	470,000
Net pension asset	21,749,067	-
Capital assets:		
Land and other non-depreciable capital assets	694,315	4,856,663
Other capital assets, less accumulated depreciation	2,438,053	10,234,550
Total noncurrent assets	\$ 41,242,653	\$ 18,576,748
Total assets	\$ 50,649,264	\$ 20,562,004
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 2,244,476	\$ -
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,702,960	\$ 208,901
Wages payable	1,127,668	-
Other current liabilities	755,783	-
Accrued interest payable	-	35,420
Compensated absences, current portion	164,762	-
Notes payable, current portion	12,000	667,459
Current Liabilities Payable From Restricted Funds:		
Unearned regional revenue	16,350,990	-
Security deposits	-	10,000
Total current liabilities	\$ 21,114,163	\$ 921,780
Long-Term Liabilities:		
Compensated absences, less current portion	\$ 1,482,861	\$ -
Notes payable, less current portion	170,000	10,404,696
Total long-term liabilities	\$ 1,652,861	\$ 10,404,696
Total liabilities	\$ 22,767,024	\$ 11,326,476
DEFERRED INFLOW OF RESOURCES		
Pension related items	\$ 12,081,366	\$ -
Lease related	-	365,515
Total deferred inflows of resources	\$ 12,081,366	\$ 365,515
NET POSITION		
Net investment in capital assets	\$ 2,950,368	\$ 4,019,058
Restricted	21,759,295	2,803,282
Unrestricted	(6,664,313)	2,047,673
Total net position	\$ 18,045,350	\$ 8,870,013

Share-A-Homes of the Virginia Peninsula, Inc.	Peninsula Community Homes, Inc.	Total
\$ 380,495	\$ 90,428	\$ 6,538,260
-	-	4,981,541
-	-	161,697
-	-	181,292
<u>\$ 380,495</u>	<u>\$ 90,428</u>	<u>\$ 11,862,790</u>
\$ 296,987	\$ -	\$ 19,441,259
-	-	20,228
-	-	212,253
460	825	471,285
-	-	21,749,067
291,036	-	5,842,014
<u>1,550,250</u>	<u>-</u>	<u>14,222,853</u>
\$ <u>2,138,733</u>	\$ <u>825</u>	\$ <u>61,958,959</u>
\$ <u>2,519,228</u>	\$ <u>91,253</u>	\$ <u>73,821,749</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,244,476</u>
\$ 8,622	\$ -	\$ 2,920,483
-	-	1,127,668
-	-	755,783
3,657	-	39,077
-	-	164,762
59,584	-	739,043
-	-	16,350,990
<u>-</u>	<u>-</u>	<u>10,000</u>
\$ <u>71,863</u>	\$ <u>-</u>	\$ <u>22,107,806</u>
\$ -	\$ -	\$ 1,482,861
<u>958,596</u>	<u>-</u>	<u>11,533,292</u>
\$ <u>958,596</u>	\$ <u>-</u>	\$ <u>13,016,153</u>
\$ <u>1,030,459</u>	\$ <u>-</u>	\$ <u>35,123,959</u>
\$ -	\$ -	\$ 12,081,366
<u>-</u>	<u>-</u>	<u>365,515</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>12,446,881</u>
\$ 823,106	\$ -	\$ 7,792,532
296,987	-	24,859,564
<u>368,676</u>	<u>91,253</u>	<u>(4,156,711)</u>
<u>\$ 1,488,769</u>	<u>\$ 91,253</u>	<u>\$ 28,495,385</u>

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

**Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022**

	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	\$ 12,716,901	\$ -
Net patient service revenue - Medicaid	10,743,834	-
Net patient service revenue - Other	66,892	-
Other	2,043,009	-
Total operating revenues	\$ 25,570,636	\$ -
Operating Expenses:		
Salaries and benefits	\$ 37,970,339	\$ -
Staff development	253,562	-
Facility	4,552,836	45,016
Supplies	2,504,268	-
Travel	359,117	-
Contractual and consulting	2,569,765	58,984
Depreciation	312,531	752,057
Client support	3,049,002	-
Other	448,317	-
Total operating expenses	\$ 52,019,737	\$ 856,057
Operating Income (Loss)	\$ (26,449,101)	\$ (856,057)
Nonoperating Income (Expenses):		
Lease income	\$ -	\$ 1,754,638
Other	53,293	53,757
Appropriations:		
Commonwealth of Virginia	20,930,620	-
Federal government	4,686,957	-
Local governments	3,647,162	-
Interest income	4,796	3,502
Interest expense	(8,601)	(442,430)
Net nonoperating income (expense)	\$ 29,314,227	\$ 1,369,467
Change in Net Position	\$ 2,865,126	\$ 513,410
Net Position, Beginning of Year	15,180,224	8,356,603
Net Position, End of Year	\$ 18,045,350	\$ 8,870,013

Share-A-Homes of the Virginia Peninsula, Inc.	Peninsula Community Homes, Inc.	Inter- Company Eliminations	Total
\$ -	\$ -	\$ -	\$ 12,716,901
-	-	-	10,743,834
-	-	-	66,892
-	-	(67,090)	1,975,919
\$ -	\$ -	\$ (67,090)	\$ 25,503,546
\$ -	\$ -	\$ -	\$ 37,970,339
-	-	-	253,562
12,407	-	(1,782,570)	2,827,689
-	-	-	2,504,268
-	-	-	359,117
20,004	1,075	(67,090)	2,582,738
105,049	-	-	1,169,637
-	-	-	3,049,002
-	-	-	448,317
\$ 137,460	\$ 1,075	\$ (1,849,660)	\$ 51,164,669
\$ (137,460)	\$ (1,075)	\$ 1,782,570	\$ (25,661,123)
\$ 205,800	\$ -	\$ (1,782,570)	\$ 177,868
24,615	-	-	131,665
-	-	-	20,930,620
-	-	-	4,686,957
-	-	-	3,647,162
-	-	-	8,298
(45,639)	-	-	(496,670)
\$ 184,776	\$ -	\$ (1,782,570)	\$ 29,085,900
\$ 47,316	\$ (1,075)	\$ -	\$ 3,424,777
1,441,453	92,328	-	25,070,608
\$ 1,488,769	\$ 91,253	\$ -	\$ 28,495,385

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

**Combining Statement of Cash Flows
Year Ended June 30, 2022**

	Hampton- Newport News Community Services Board
Cash flows from operating activities:	
Receipts from customers	\$ 25,762,302
Payments to suppliers	(14,921,774)
Payments to and for employees	(39,541,020)
Total cash flows provided by (used for) operating activities	\$ (28,700,492)
Cash flows from noncapital and related financing activities:	
Other	\$
Government grants	36,625,791
Other agencies	53,293
Total cash flows provided by (used for) noncapital and related financing activities	\$ 36,679,084
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (511,019)
Sale of capital assets	1,875
Lease income	-
Interest on long-term debt	(8,601)
Principal paid on notes payable	(12,000)
Total cash flows provided by (used for) capital and related financing activities	\$ (529,745)
Cash flows from investing activities:	
Interest income	\$ 4,796
Net increase (decrease) in cash and cash equivalents	\$ 7,453,643
Cash and cash equivalents, beginning of year (including restricted cash of \$12,080,347)	13,141,125
Cash and cash equivalents, end of year, including restricted (including restricted cash of \$19,441,259)	\$ 20,594,768
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (26,449,101)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:	
Depreciation	312,531
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Accounts receivable	191,666
Prepaid items	64,211
Net pension asset	(15,535,304)
Deferred outflows of resources	1,979,858
Accounts payable and accrued expenses	(1,212,572)
Wages payable	110,549
Other accrued liabilities	(36,546)
Due to/from affiliates	-
Due to/from agencies	-
Compensated absences	(65,031)
Deferred inflows of resources	11,939,247
Cash flows provided by (used for) operating activities	\$ (28,700,492)

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
\$ -	\$ -	\$ -	\$ (67,090)	\$ 25,695,212
(96,388)	(26,827)	(1,100)	1,849,660	(13,196,429)
-	-	-	-	(39,541,020)
<u>\$ (96,388)</u>	<u>\$ (26,827)</u>	<u>\$ (1,100)</u>	<u>\$ 1,782,570</u>	<u>\$ (27,042,237)</u>
\$ 53,757	\$ 24,615	\$ -	\$ -	\$ 78,372
-	-	-	-	36,625,791
-	-	-	-	53,293
<u>\$ 53,757</u>	<u>\$ 24,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,757,456</u>
\$ (190,148)	\$ (8,422)	\$ -	\$ -	\$ (709,589)
-	-	-	-	1,875
1,746,202	205,800	-	(1,782,570)	169,432
(444,465)	(45,842)	-	-	(498,908)
(636,367)	(56,457)	-	-	(704,824)
<u>\$ 475,222</u>	<u>\$ 95,079</u>	<u>\$ -</u>	<u>\$ (1,782,570)</u>	<u>\$ (1,742,014)</u>
\$ 3,502	\$ -	\$ -	\$ -	\$ 8,298
\$ 436,093	\$ 92,867	\$ (1,100)	\$ -	\$ 7,981,503
<u>4,180,748</u>	<u>584,615</u>	<u>91,528</u>	<u>-</u>	<u>17,998,016</u>
<u>\$ 4,616,841</u>	<u>\$ 677,482</u>	<u>\$ 90,428</u>	<u>\$ -</u>	<u>\$ 25,979,519</u>
\$ (856,057)	\$ (137,460)	\$ (1,075)	\$ 1,782,570	\$ (25,661,123)
752,057	105,049	-	-	1,169,637
-	-	-	-	191,666
-	-	-	-	64,211
-	-	-	-	(15,535,304)
-	-	-	-	1,979,858
7,612	6,069	(25)	-	(1,198,916)
-	-	-	-	110,549
-	-	-	-	(36,546)
-	(485)	(800)	-	(1,285)
-	-	800	-	800
-	-	-	-	(65,031)
-	-	-	-	11,939,247
<u>\$ (96,388)</u>	<u>\$ (26,827)</u>	<u>\$ (1,100)</u>	<u>\$ 1,782,570</u>	<u>\$ (27,042,237)</u>

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COMPLIANCE

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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, 2022, 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 3, 2022.

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.

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

Richmond, Virginia
November 3, 2022

**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, 2022. 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of 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.

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

Richmond, Virginia
November 3, 2022

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

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	\$ 26,695
<u>Department of Housing and Urban Development</u>			
Direct Payments:			
Supportive Housing Program	14.235	not applicable	\$ 491,086
<u>Department of Health and Human Services</u>			
Direct Payments:			
COVID-19-Provider Relief Fund	93.498	not applicable	\$ 774,691
Substance Abuse and Mental Health Services of Regional and National Significance	93.243	not applicable	\$ 541,289
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	25,320 566,609
Projects for Assistance in Transition from Homelessness (PATH)	93.150	445006-117415;119416	103,671
Emergency Grants to Address Mental and Substance Abuse Disorders During COVID-19	93.665	445006-117088	175,658
Opioid STR	93.788	445001-119312;119313;119314	603,951
Block Grants for Community Mental Health Services	93.958	445006-119419	686,159
Block Grants for Prevention and Treatment of Substance Abuse	93.959	445001-118775;118776 445001-119422;119425	1,814,197
Total Department of Health and Human Services			\$ 4,724,936
Total expenditures of federal awards			\$ 5,242,717

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

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

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, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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.
- (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.

Note D - Provider Relief Fund:

For fiscal years ended (FYE) on or before June 29, 2021, no Provider Relief Fund (PRF) expenditures (including lost revenue) should have been reported on the SEFA. Based on current guidance from the Department of Health and Human Services (HHS), PRF expenditures (including lost revenue) are to be reported on the SEFA based upon PRF reports submitted through the Health Resources and Services Administration (HRSA) reporting portal. Therefore, the amount of PRF expenditures included on the FYE June 30, 2022 SEFA is based upon the PRF reporting portal guidelines for Period 2, as specified by HHS.

Note E - Reconciliation to Financial Statements:

Total federal expenditures per basic financial statements \$	4,686,957
COVID-19 Provider Relief Funds - Period 2 (reported FY22)	555,760
Total federal expenditures \$	<u>5,242,717</u>

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	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>
93.948	COVID-19 Provider Relief Fund
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, 2022**

There were no prior year findings.

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