

**HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2021**



## HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

### **Board of Directors**

Thomas F. Morehouse, III  
Chair

Venerria Thomas  
Vice Chair

Steven Bond  
Treasurer

### **Members of the Board**

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Col. Karen Bowden  
Chris Bowman  
Stephen Brown  
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Randie Dyess, Jr.

Jane Hobbs  
Nosuk Kim  
Charisse Mullen  
Mary L. Stewart  
Elva Williams Hunt

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## Table of Contents

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	Page
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-7
<b>Basic Financial Statements:</b>	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Statement of Fiduciary Net Position	11
Statement of Changes in Fiduciary Net Position	12
Notes to Financial Statements	13-33
<b>Required Supplementary Information:</b>	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	34-35
Schedule of Employer Contributions - Pension Plan	36
Notes to Required Supplementary Information - Pension Plan	37
<b>Other Supplementary Information:</b>	
<u>Combining Financial Statements:</u>	
Combining Statement of Net Position	38-39
Combining Statement of Revenues, Expenses and Changes in Net Position	40-41
Combining Statement of Cash Flows	42-43
<b>Compliance:</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	46-47
Schedule of Expenditures of Federal Awards	48
Notes to Schedule of Expenditures of Federal Awards	49
Schedule of Findings and Questioned Costs	50
Summary Schedule of Prior Audit Findings	51

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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**Independent Auditors' Report**

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

**Report on the Financial Statements**

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, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

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, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As described in Note 14 to the financial statements, in 2021, the Board adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to these matters.

## ***Restatement of Beginning Balance***

As described in Note 17 to the financial statements, in 2021, the Board restated beginning balances to reflect the requirements of GASB Statement No. 84. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***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 on pages 4-7 and pages 34-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other 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 combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2021, 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 the Hampton-Newport News Community Services Board's internal control over financial reporting and compliance.

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

Richmond, Virginia  
November 2, 2021

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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, 2021. 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

	2021	2020
Operating revenues and appropriations	\$ 54,141,037	\$ 56,679,108
Operating expenses	53,973,417	55,920,373
Excess before interest income (expense)	167,620	758,735
Interest income	3,883	8,018
Rent of property	206,289	231,908
Interest expense	(552,898)	(552,585)
Change in net position	\$ (145,106)	\$ 446,076

The decrease in net position for the year ended June 30, 2021 of \$145,106 occurred primarily in the CSB business entity which had a net change in position before transfers of approximately \$0.6 million. The CSB net income was approximately \$0.65 million. As a result of the annual pension assessment, the CSB income was decreased \$1.2 million in pension related expenses resulting in a net loss of \$0.6 million.

Operating revenues and appropriations, the net change was an approximately \$2.5 million decrease. Within this category, Net Patient service revenues were down approximately \$3.0 million. In fiscal year 2021 we were faced with COVID restrictions including social distancing and gathering mandates, limiting our ability to operate some programs at full capacity. In the prior year, we made the difficult decision to discontinue our Therapeutic Day Treatment Program with the closing of the schools and the tightening of eligibility requirements for Medicaid patients, we were not able to financially maintain the program. In fiscal year 2020, the TDT programs accounted for \$1.9 million in patient service revenues. We participated in all Department of Medical Assistance initiatives to enhance client revenue and offset the losses experienced due to COVID. We pursued grant funds, CARES ACT funds and were awarded additional COVID related funding from both the cities of Hampton and Newport News.

Operating expenses were down by approximately \$1.9 million. This was due to decrease in the staffing of the Therapeutic Day Program as well as a decrease in the cost of the purchase of in-patient bed days on behalf of the region. 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 (75% in 2020 and 73% in 2021).

There was no utilization of the Company's line of credit in fiscal years 2021 or 2020. The interest rate remains the same for 2021 and 2020.

Uncompensated care was approximately \$4.5 million and \$4.3 million in 2021 and 2020, respectively.

#### Statements of Net Assets - Primary Government Unit

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

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current and other assets	\$ 11,336,380	\$ 8,443,624
Restricted assets	12,100,575	10,820,587
Capital Assets - net of depreciation	20,526,789	21,514,950
Due from other agencies	470,800	470,800
Net pension asset	6,213,763	11,142,540
<b>Total Assets</b>	<u>\$ 50,648,306</u>	<u>\$ 52,392,501</u>
<b>Deferred outflows of resources</b>		
Pension contributions made subsequent to measurement date	\$ 350,500	\$ 301,482
Items related to measurement of net pension asset	<u>3,873,834</u>	<u>1,473,684</u>
<b>Total deferred outflows of resources</b>	<u>\$ 4,224,334</u>	<u>\$ 1,775,166</u>
<b>Liabilities</b>		
Current liabilities	\$ 15,827,589	\$ 13,037,830
Long-term liabilities	<u>13,832,324</u>	<u>14,557,064</u>
<b>Total liabilities</b>	<u>\$ 29,659,913</u>	<u>\$ 27,594,894</u>
<b>Deferred inflows of resources</b>		
Items related to measurement of net pension asset	<u>\$ 142,119</u>	<u>\$ 1,357,059</u>
<b>Net Assets</b>		
Net investment in capital assets	\$ 7,549,630	\$ 7,859,639
Restricted	9,314,400	14,043,225
Unrestricted	8,206,578	3,312,850
<b>Total net position</b>	<u>\$ 25,070,608</u>	<u>\$ 25,215,714</u>

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

### • Assets and Liabilities

- During 2021, current and other assets increased by \$2.9 million primarily related to cash. The cash reserve was increased \$.3 million in fiscal year 2021.
- Restricted assets are up approximately \$1.3 million due mainly to cash from regional/restricted programs received in 2021 that will be expensed in 2022.
- Capital assets are down approximately \$1 million mainly due to limited additions offset by normal depreciation expense.
- Due from other agencies remained constant from 2020 to 2021.
- Net pension asset is down \$4.9 million from the prior year due to a more conservative investment return assumption of 5.75% in 2021 versus 6.75% in 2020. The CSB recognized pension expense of \$1.6 million.
- Current liabilities are up approximately \$2.8 million compared to 2020. There was an increase in the unearned (deferred) revenue of \$1.4 million in 2021 attributable to new funding streams not utilized fully in 2021. We experienced an increase in health insurance related costs, which are reflected in our health insurance payable and IBNR total at \$500K. Flow through funds due to Western Tidewater CSB of \$500K were included in this category as well.
- Long terms liabilities are down approximately \$724K from 2020 to 2021 due mainly to scheduled debt payments.
- Change in Net Position - The decrease in net position of approximately \$146K is due to negative results on the operating entities discussed above.

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

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities	\$ (24,313,192)	\$ (27,384,220)
Cash Flows from Non-Capital Activities	29,720,175	28,977,702
Cash Flows from Capital Activities	(1,467,665)	(1,674,711)
Cash Flows from Investing Activities	3,883	8,018
Net Increase in Cash	\$ 3,943,201	\$ (73,211)
Cash - Beginning of Year	\$ 14,054,816	\$ 14,128,026
Cash - End of Year	\$ <u>17,998,016</u>	\$ <u>14,054,815</u>

Cash flows (use of cash) for operating activities decreased by approximately \$3.0 million in 2021 over 2020. This includes the reduction in salaries for our Therapeutic Day Treatment program and unspent Regional funds that will be expended in FY2022.

Cash flows from Non-Capital Activities increased by approximately \$742K in 2021 over 2020.

Cash flows used for Capital Activities decreased approximately \$200k between 2021 and 2020.

## 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, 2021, 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	\$ 194,000
Hampton-Newport News Property Company, Inc.	11,708,522
Share-A-Homes of the Virginia Peninsula	<u>1,074,637</u>
Total long-term debt (including current portion)	<u>\$ 13,655,311</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, 2021.

At June 30, 2021 and 2020, 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 2021, the CSB provided approximately \$4.4 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, 2021**

<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 5,917,669
Accounts receivable, less allowance for uncollectibles	5,173,207
Prepaid items	245,503
<b>Restricted Assets:</b>	
Cash and cash equivalents	12,080,347
Security deposits	20,228
Total current assets	\$ 23,436,954
<b>Capital Assets:</b>	
Land and other non-depreciable capital assets	\$ 5,853,977
Other capital assets, less accumulated depreciation	14,672,812
Total capital assets	\$ 20,526,789
<b>Other Assets:</b>	
Due from other agencies	\$ 470,800
Net pension asset	6,213,763
Total other assets	\$ 6,684,563
Total assets	\$ 50,648,306
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	\$ 4,224,334
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable and accrued expenses	\$ 4,119,399
Wages payable	1,017,119
Other current liabilities	792,329
Accrued interest payable	41,315
Compensated absences, current portion	171,265
Notes payable, current portion	686,224
<b>Current Liabilities Payable From Restricted Funds:</b>	
Unearned regional revenue	8,989,938
Security deposits	10,000
Total current liabilities	\$ 15,827,589
<b>Long-Term Liabilities:</b>	
Compensated absences, less current portion	\$ 1,541,389
Notes payable, less current portion	12,290,935
Total long-term liabilities	\$ 13,832,324
Total liabilities	\$ 29,659,913
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related items	\$ 142,119
<b>NET POSITION</b>	
Net investment in capital assets	\$ 7,549,630
Restricted	9,314,400
Unrestricted	8,206,578
Total net position	\$ 25,070,608

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, 2021**

**Operating Revenues:**

Net patient service revenue - Direct client and third party	\$ 13,536,370
Net patient service revenue - Medicaid	10,199,168
Net patient service revenue - Other	554,443
Other	1,751,503
	<hr/>
Total operating revenues	\$ 26,041,484

**Operating Expenses:**

Salaries and benefits	\$ 40,538,481
Staff development	143,706
Facility	2,759,043
Supplies	2,377,569
Travel	171,281
Contractual and consulting	2,595,884
Depreciation	1,252,624
Client support	3,427,157
Other	707,672
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Total operating expenses	\$ 53,973,417

<b>Operating Income (Loss)</b>	<b>\$ (27,931,933)</b>
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**Nonoperating Income (Expenses):**

Rental income	\$ 206,289
Appropriations:	
Commonwealth of Virginia	19,611,214
Federal government	5,054,636
Local governments	3,433,703
Interest income	3,883
Interest expense	(522,898)
	<hr/>
Net nonoperating income (expense)	\$ 27,786,827

<b>Change in Net Position</b>	<b>\$ (145,106)</b>
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<b>Net Position, Beginning of Year</b>	<b>25,215,714</b>
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<b>Net Position, End of Year</b>	<b>\$ 25,070,608</b>
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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, 2021**

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 25,753,848
Payments to suppliers	(10,643,000)
Payments to and for employees	(39,089,743)
	<u>(39,089,743)</u>
Total cash flows provided by (used for) operating activities	\$ (23,978,895)
<b>Cash flows from noncapital and related financing activities:</b>	
Rental income	\$ 206,289
Government grants	29,513,886
	<u>29,513,886</u>
Total cash flows provided by (used for) noncapital and related financing activities	\$ 29,720,175
<b>Cash flows from capital and related financing activities:</b>	
Purchase of capital assets	\$ (264,463)
Interest on long-term debt	(525,050)
Principal payments on notes payable	(678,152)
	<u>(678,152)</u>
Total cash flows provided by (used for) capital and related financing activities	\$ (1,467,665)
<b>Cash from investing activities:</b>	
Interest income	\$ 3,883
	<u>3,883</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 4,277,498
<b>Cash and cash equivalents, beginning of year</b>	
(including restricted cash of \$10,800,359)	<u>13,720,518</u>
<b>Cash and cash equivalents, end of year, including restricted</b>	
(including restricted cash of \$12,080,347)	<u><u>\$ 17,998,016</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (27,931,933)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operations:	
Depreciation	1,252,624
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Accounts receivable	(287,636)
Prepaid items	58,095
Net pension asset	4,928,777
Deferred outflows of resources	(2,449,168)
Accounts payable and accrued expenses	1,131,865
Wages payable	136,165
Other accrued liabilities	349,352
Compensated absences	47,904
Deferred inflows of resources	(1,214,940)
	<u>(1,214,940)</u>
Cash flows provided by (used for) operating activities	\$ (23,978,895)

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, 2021

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	Private-Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 337,550	\$ 221,043
Total assets	\$ 337,550	\$ 221,043
NET POSITION		
Restricted for:		
Client and consumer funds	\$ 337,550	\$ 221,043
Total net position	\$ 337,550	\$ 221,043

# HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

## Statement of Changes in Fiduciary Net Position Year Ended June 30, 2021

	Private-Purpose Trust Funds	Custodial Funds
<b>ADDITIONS</b>		
Interest	\$ 3,913	\$ -
Stimulus funds	-	318,000
Total additions	\$ 3,913	\$ 318,000
<b>DEDUCTIONS</b>		
Clients' personal use of funds	\$ 660	\$ 96,957
Total deductions	\$ 660	\$ 96,957
Net increase (decrease) in fiduciary net position	\$ 3,253	\$ 221,043
Net position, beginning - as restated	334,297	-
Net position, ending	\$ 337,550	\$ 221,043

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## HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

### Notes to Financial Statements June 30, 2021

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#### NOTE 1-DESCRIPTION OF AGENCY:

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##### ***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, 2021 (Continued)

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#### NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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##### *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 will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position 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 the measurement of the net pension asset and contributions to the net pension plan made during the current year and subsequent to the net pension asset measurement date. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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 the measurement of the net pension asset 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)**

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***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 \$1,694,183 at June 30, 2021.

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

## HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

### Notes to Financial Statements June 30, 2021 (Continued)

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

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##### *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, 2021 (Continued)

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

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##### *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, 2021 the allowance for doubtful accounts was \$1,694,183.

##### *Capital Assets*

Capital assets are stated at cost when purchased or at acquisition value if donated. The CSB follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000 with an expected life greater than one year. Depreciation is calculated by 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

##### *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.

#### NOTE 3—DEPOSITS AND INVESTMENTS:

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##### 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

## HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

### Notes to Financial Statements June 30, 2021 (Continued)

#### NOTE 3-DEPOSITS AND INVESTMENTS: (CONTINUED)

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, 2021 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	\$ 10,661

#### Interest Rate Risk

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 10,661	\$ 10,661

#### 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.

# HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

## Notes to Financial Statements June 30, 2021 (Continued)

### NOTE 4-CAPITAL ASSETS:

A summary of changes in capital assets follows:

	Balances		Balances	
	July 1, 2020	Increases	Decreases	June 30, 2021
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 5,838,835	\$ -	\$ -	\$ 5,838,835
Construction in progress	15,142	-	-	15,142
Total not subject to depreciation	<u>\$ 5,853,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,853,977</u>
<b>Depreciable Capital Assets</b>				
Buildings	\$ 25,978,440	\$ -	\$ -	\$ 25,978,440
Furniture/equipment	2,550,752	38,023	115,566	2,473,209
Vehicles	2,772,251	31,556	43,334	2,760,473
Leasehold improvements	4,566,832	194,884	-	4,761,716
Intangibles	66,409	-	-	66,409
Total depreciable capital assets	<u>\$ 35,934,684</u>	<u>\$ 264,463</u>	<u>\$ 158,900</u>	<u>\$ 36,040,247</u>
<b>Accumulated Depreciation</b>	<u>\$ 20,273,711</u>	<u>\$ 1,252,624</u>	<u>\$ 158,900</u>	<u>\$ 21,367,435</u>
<b>Net Depreciable Capital Assets</b>	<u>\$ 15,660,973</u>	<u>\$ (988,161)</u>	<u>\$ -</u>	<u>\$ 14,672,812</u>
<b>Capital Assets, Net</b>	<u><u>\$ 21,514,950</u></u>	<u><u>\$ (988,161)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,526,789</u></u>

### NOTE 5-LOCAL REVENUES:

Appropriations from local governments consisted of the following:

City of Hampton	\$ 1,785,172
City of Newport News	1,648,531
Total	<u><u>\$ 3,433,703</u></u>

### NOTE 6-UNEARNED REVENUE:

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

## HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

### Notes to Financial Statements June 30, 2021 (Continued)

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#### NOTE 6-UNEARNED REVENUE:

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Unearned revenue consisted of the following:

State Revenue:	
COVID-19 grants	\$ 250,658
MH grants	3,706,170
MR grants	291,839
Regional funds	3,791,692
SA grants	336,332
Federal Revenue:	
COVID-19 grants	218,930
SA grants	394,317
Total	<u>\$ 8,989,938</u>

#### NOTE 7-LINE OF CREDIT:

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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, 2021, the CSB outstanding balance against this line of credit was \$0 and the interest rate was 3.25%.

#### Debt Coverage

The terms of the working capital line of credit agreement with Towne Bank call for a debt service coverage ratio of 1.15:1 (as defined) based on annual amounts at June 30, 2021. The CSB met the debt service coverage ratio for the year ended June 30, 2021.

#### NOTE 8-LONG-TERM OBLIGATIONS:

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The following is a summary of changes in long-term debt obligation transactions for the year ended June 30, 2021:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Compensated Absences	\$ 1,664,750	\$ 214,379	\$ 166,475	\$ 1,712,654
Direct Borrowings and Placements	13,655,311	-	678,152	12,977,159
Total	<u>\$ 15,320,061</u>	<u>\$ 214,379</u>	<u>\$ 844,627</u>	<u>\$ 14,689,813</u>

# HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

## Notes to Financial Statements June 30, 2021 (Continued)

### NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of CSB's long-term obligations at June 30, 2021 are as follows:

	Interest Rates	Issue Date	Maturity Date	Original Amount	Balance at 6/30/2021	Due Within One Year
Direct Borrowings and Placements:						
TowneBank	5.50%	8/8/2012	8/8/2037	\$ 300,000	\$ 194,000	\$ 12,000
TowneBank	(A)	7/23/2015	8/1/2035	14,000,000	10,906,100	578,202
TowneBank	(B)	7/23/2015	8/1/2035	1,030,000	802,422	42,837
TowneBank	(C)	7/23/2015	8/1/2035	1,366,000	1,074,637	53,185
Total Direct Borrowings and Placements					<u>\$ 12,977,159</u>	<u>\$ 686,224</u>
Other Long-term Obligations:						
Compensated Absences	N/A	N/A	N/A	N/A	\$ 1,712,654	\$ 171,265
Total Long-term Obligations					<u>\$ 14,689,813</u>	<u>\$ 857,489</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 1<sup>st</sup> Deed of Trust on property and improvements located at 301 Bowman Lane in Newport News, Virginia.

## HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

### Notes to Financial Statements June 30, 2021 (Continued)

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#### NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

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

	Notes Payable From Direct Borrowings and Placements	
	Principal	Interest
2022	\$ 686,224	\$ 519,276
2023	711,187	493,653
2024	749,745	454,435
2025	788,302	415,218
2026	826,860	376,000
2027-2031	4,712,660	1,291,737
2032-2036	4,488,181	328,647
2037-2041	14,000	481
	<u>\$ 12,977,159</u>	<u>\$ 3,879,447</u>

#### Debt Coverage

The terms of the 2015A and 2015B Loan Agreements with TowneBank call for a debt service coverage ratio of 1.15:1 (as defined) based on annual amounts at June 30, 2021. The CSB met the debt service coverage ratio for the year ended June 30, 2021.

#### NOTE 9—PENSION PLAN:

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##### *Plan Description*

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

##### *Benefit Structures*

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.



## HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

### Notes to Financial Statements June 30, 2021 (Continued)

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#### NOTE 9—PENSION PLAN: (CONTINUED)

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##### *Plan Description*

- 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, 2021 (Continued)

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#### NOTE 9—PENSION PLAN: (CONTINUED)

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##### *Employees Covered by Benefit Terms*

As of the June 30, 2019 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	189
Inactive members:	
Vested inactive members	166
Non-vested inactive members	376
Inactive members active elsewhere in VRS	<u>262</u>
Total inactive members	804
Active members	<u>593</u>
Total covered employees	<u><u>1,586</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, 2021 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 \$350,500 and \$301,482 for the years ended June 30, 2021 and June 30, 2020, 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, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

## HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

### Notes to Financial Statements June 30, 2021 (Continued)

#### NOTE 9-PENSION PLAN: (CONTINUED)

##### *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, 2019, 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, 2020.

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

\* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

##### Mortality rates:

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

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021; males 95% of rates; females 105% of rates.

##### Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

##### Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

# HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

## Notes to Financial Statements June 30, 2021 (Continued)

### NOTE 9—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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

\*The above allocation provides a one-year return of 7.14%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

#### *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

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements  
June 30, 2021 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

*Discount Rate: (Continued)*

alternative employer contribution rate. For the year ended June 30, 2020, 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, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in Net Pension Asset*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2019	\$ 67,842,279	\$ 78,984,819	\$ (11,142,540)
Changes for the year:			
Service cost	\$ 2,314,211	\$ -	\$ 2,314,211
Interest	4,502,316	-	4,502,316
Differences between expected and actual experience	1,151,187	-	1,151,187
Contributions - employer	-	323,845	(323,845)
Contributions - employee	-	1,256,361	(1,256,361)
Net investment income	-	1,511,475	(1,511,475)
Benefit payments, including refunds of employee contributions	(2,282,606)	(2,282,606)	-
Administrative expenses	-	(50,946)	50,946
Other changes	-	(1,798)	1,798
Net changes	\$ 5,685,108	\$ 756,331	\$ 4,928,777
Balances at June 30, 2020	\$ 73,527,387	\$ 79,741,150	\$ (6,213,763)

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements  
June 30, 2021 (Continued)

NOTE 9—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)	\$ 4,038,811	\$ (6,213,763)	\$ (14,627,383)

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

For the year ended June 30, 2021, the CSB recognized pension expense of \$1,637,532. At June 30, 2021, 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	\$ 748,674	\$ 142,119
Net difference between projected and actual earnings on pension plan investments	2,384,652	-
Changes of assumptions	740,508	-
Employer contributions subsequent to the measurement date	350,500	-
Total	\$ 4,224,334	\$ 142,119

\$350,500 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	
2022	\$ 1,080,626
2023	1,093,301
2024	798,886
2025	758,902
Thereafter	-

## HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

### Notes to Financial Statements June 30, 2021 (Continued)

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#### NOTE 9-PENSION PLAN: (CONTINUED)

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##### *Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

#### NOTE 10-COMPENSATED ABSENCES:

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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, 2021, the CSB has accruals of \$1,712,654 for compensated absences. The amount of annual and sick leave recognized as expense is the amount earned during the year. At June 30, 2021, this amount was reflected in the statement of net position under current liabilities in the amount of \$171,265 and under long term liabilities - compensated absences of \$1,541,389. Upon termination, employees are not vested in accrued sick leave; therefore, no accrual is required in the accompanying financial statements.

#### NOTE 11-TRUST FUND FOR DISABLED PEOPLE:

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On May 18, 1995, the CSB established the 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 12-COMMITMENTS AND CONTINGENCIES:

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##### **Operating Leases**

The CSB leases various facilities and equipment under operating agreements. Lease expenditures under operating leases included in facility expenses for 2021, amount to \$960,363.

##### **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.

## HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

### Notes to Financial Statements June 30, 2021 (Continued)

#### NOTE 12—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

##### Self-Insurance (Continued)

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, 2021, the amount of these liabilities were approximately \$483,137. These liabilities are the CSB's best estimate as calculated by the CSB's Third Party Administrator.

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

Fiscal Year	Estimated Claims Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Estimated Claims Liability End of Fiscal Year
2021	\$ 168,475	\$ 4,608,602	\$ 4,293,940	\$ 483,137
2020	270,446	4,447,543	4,549,514	168,475
2019	473,563	3,913,200	4,116,317	270,446

##### 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, 2021, the estimated liability was \$1,562,856.

##### Reserve Funds

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

##### Federally Assisted Grant Programs

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

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



## HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

### Notes to Financial Statements June 30, 2021 (Continued)

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#### NOTE 13—OPERATING LEASES:

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The Board leases office space and other facilities from private entities as well as its blended component units, generally on a year to year basis. Rent expense of the Board totaled \$2,715,391 for the fiscal year ended June 30, 2021 and was reported with “Facility Expenses.” Of that amount, \$1,755,028 was eliminated as intercompany transactions, leaving a net amount of \$960,363.

#### NOTE 14—ADOPTION OF ACCOUNTING PRINCIPLES:

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The Board implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The implementation of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* required a restatement, which is detailed in Note 17.

#### NOTE 15—UPCOMING PRONOUNCEMENTS:

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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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

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. 92, *Omnibus 2021*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2021 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

## HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

### Notes to Financial Statements June 30, 2021 (Continued)

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#### NOTE 15—UPCOMING PRONOUNCEMENTS: (Continued)

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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 reporting periods 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 reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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:

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The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Board, COVID-19 impacted various parts of its 2021 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, 2020, 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).

The Board received CRF funding of \$550,618 for the year ended June 30, 2021. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021, will be returned to the federal government. Unspent federal CRF funds in the amount of \$218,930 are reported as unearned revenue as of June 30.

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Financial Statements  
June 30, 2021 (Continued)

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NOTE 17 - RESTATEMENT OF NET POSITION:

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The following adjustments have been made to beginning net position:

	<u>Fiduciary Fund</u>
	Private-Purpose
	<u>Trust Funds</u>
Net position, June 30, 2020, as previously stated	\$ -
<b>Restatement:</b>	
Implementation of GASB 84	\$ <u>334,297</u>
Net position, July 1, 2020, as restated	\$ <u><u>334,297</u></u>

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*REQUIRED SUPPLEMENTARY INFORMATION*

# HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

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

### Pension Plan

For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019
<b>Total pension liability</b>		
Service cost	\$ 2,314,211	\$ 2,219,023
Interest	4,502,316	4,231,829
Differences between expected and actual experience	1,151,187	(225,965)
Changes in assumptions	-	2,206,860
Benefit payments	(2,282,606)	(2,088,328)
<b>Net change in total pension liability</b>	<b>\$ 5,685,108</b>	<b>\$ 6,343,419</b>
<b>Total pension liability - beginning</b>	<b>67,842,279</b>	<b>61,498,860</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 73,527,387</b>	<b>\$ 67,842,279</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 323,845	\$ 318,792
Contributions - employee	1,256,361	1,275,333
Net investment income	1,511,475	4,998,249
Benefit payments	(2,282,606)	(2,088,328)
Administrator charges	(50,946)	(48,605)
Other	(1,798)	(3,153)
<b>Net change in plan fiduciary net position</b>	<b>\$ 756,331</b>	<b>\$ 4,452,288</b>
<b>Plan fiduciary net position - beginning</b>	<b>78,984,819</b>	<b>74,532,531</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 79,741,150</b>	<b>\$ 78,984,819</b>
<b>CSB's net pension asset - ending (a) - (b)</b>	<b>\$ (6,213,763)</b>	<b>\$ (11,142,540)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>108.45%</b>	<b>116.42%</b>
<b>Covered payroll</b>	<b>\$ 27,452,989</b>	<b>\$ 27,564,448</b>
<b>CSB's net pension asset as a percentage of covered payroll</b>	<b>-22.63%</b>	<b>-40.42%</b>

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.

	2018		2017		2016		2015		2014
\$	2,416,756	\$	2,568,823	\$	2,609,101	\$	2,686,402	\$	3,007,464
	3,980,116		3,781,978		3,497,615		3,342,042		3,017,837
	(589,691)		(680,916)		(506,031)		(2,441,434)		-
	-		(847,841)		-		-		-
	(2,334,248)		(1,648,737)		(1,427,980)		(1,301,091)		(1,486,530)
\$	3,472,933	\$	3,173,307	\$	4,172,705	\$	2,285,919	\$	4,538,771
	58,025,927		54,852,620		50,679,915		48,393,996		43,855,225
\$	61,498,860	\$	58,025,927	\$	54,852,620	\$	50,679,915	\$	48,393,996
\$	588,176	\$	637,150	\$	1,291,789	\$	1,269,061	\$	1,855,976
	1,291,429		1,378,082		1,385,675		1,320,251		1,374,201
	5,164,976		7,617,894		1,101,066		2,599,385		7,498,891
	(2,334,248)		(1,648,737)		(1,427,980)		(1,301,091)		(1,486,530)
	(44,048)		(42,765)		(35,986)		(33,780)		(38,533)
	(4,626)		(6,828)		(452)		(557)		395
\$	4,661,659	\$	7,934,796	\$	2,314,112	\$	3,853,269	\$	9,204,400
	69,870,872		61,936,076		59,621,964		55,768,695		46,564,295
\$	74,532,531	\$	69,870,872	\$	61,936,076	\$	59,621,964	\$	55,768,695
\$	(13,033,671)	\$	(11,844,945)	\$	(7,083,456)	\$	(8,942,049)	\$	(7,374,699)
	121.19%		120.41%		112.91%		117.64%		115.24%
\$	27,587,321	\$	28,578,128	\$	27,935,037	\$	27,294,419	\$	26,687,258
	-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, 2012 through June 30, 2021**

<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Employee Payroll (5)</b>
2021	\$ 350,500	\$ 350,500	\$ -	\$ 25,507,751	1.74%
2020	301,482	301,482	-	27,452,989	1.74%
2019	330,777	330,777	-	27,564,448	1.74%
2018	587,431	587,431	-	27,587,321	2.60%
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%
2012	1,367,941	1,367,941	-	26,105,740	5.24%



## HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

### Notes to Required Supplementary Information

#### Pension Plan

Year Ended June 30, 2021

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**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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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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, 2021

	<b>Hampton- Newport News Community Services Board</b>	<b>Hampton- Newport News Community Services Board Property Company, Inc.</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 4,151,187	\$ 1,387,466
Accounts receivable, less allowance for uncollectibles	5,173,207	-
Prepaid items	245,503	-
<b>Restricted Assets:</b>		
Cash and cash equivalents	8,989,938	2,793,282
Security deposits	10,228	10,000
Total current assets	\$ 18,570,063	\$ 4,190,748
<b>Capital Assets:</b>		
Land and other non-depreciable capital assets	\$ 694,315	\$ 4,868,626
Other capital assets, less accumulated depreciation	2,241,440	10,784,495
Total capital assets	\$ 2,935,755	\$ 15,653,121
<b>Other Assets:</b>		
Due from affiliates	\$ -	\$ -
Due from other agencies	-	470,000
Net pension asset	6,213,763	-
Total other assets	\$ 6,213,763	\$ 470,000
Total assets	\$ 27,719,581	\$ 20,313,869
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related items	\$ 4,224,334	\$ -
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 3,915,532	\$ 201,289
Wages payable	1,017,119	-
Other current liabilities	792,329	-
Accrued interest payable	-	37,455
Due to affiliates	-	-
Compensated absences, current portion	171,265	-
Notes payable, current portion	12,000	621,039
<b>Current Liabilities Payable From Restricted Funds:</b>		
Unearned regional revenue	8,989,938	-
Security deposits	-	10,000
Total current liabilities	\$ 14,898,183	\$ 869,783
<b>Long-Term Liabilities:</b>		
Compensated absences, less current portion	\$ 1,541,389	\$ -
Notes payable, less current portion	182,000	11,087,483
Total long-term liabilities	\$ 1,723,389	\$ 11,087,483
Total liabilities	\$ 16,621,572	\$ 11,957,266
<b>DEFERRED INFLOW OF RESOURCES</b>		
Pension related items	\$ 142,119	\$ -
<b>NET POSITION</b>		
Net investment in capital assets	\$ 2,741,755	\$ 3,944,599
Restricted	6,223,991	2,793,282
Unrestricted	6,214,478	1,618,722
Total net position	\$ 15,180,224	\$ 8,356,603

Share-A- Homes of the Virginia Peninsula, Inc.	Peninsula Community Homes, Inc.	Inter- Company Eliminations	Total
\$ 287,488	\$ 91,528	\$ -	\$ 5,917,669
-	-	-	5,173,207
-	-	-	245,503
297,127	-	-	12,080,347
-	-	-	20,228
\$ 584,615	\$ 91,528	\$ -	\$ 23,436,954
\$ 291,036	\$ -	\$ -	\$ 5,853,977
1,646,877	-	-	14,672,812
\$ 1,937,913	\$ -	\$ -	\$ 20,526,789
\$ -	\$ 25	\$ (25)	\$ -
-	800	-	470,800
-	-	-	6,213,763
\$ -	\$ 825	\$ (25)	\$ 6,684,563
\$ 2,522,528	\$ 92,353	\$ (25)	\$ 50,648,306
\$ -	\$ -	\$ -	\$ 4,224,334
\$ 2,553	\$ 25	\$ -	\$ 4,119,399
-	-	-	1,017,119
-	-	-	792,329
3,860	-	-	41,315
25	-	(25)	-
-	-	-	171,265
53,185	-	-	686,224
-	-	-	8,989,938
-	-	-	10,000
\$ 59,623	\$ 25	\$ (25)	\$ 15,827,589
\$ -	\$ -	\$ -	\$ 1,541,389
1,021,452	-	-	12,290,935
\$ 1,021,452	\$ -	\$ -	\$ 13,832,324
\$ 1,081,075	\$ 25	\$ (25)	\$ 29,659,913
\$ -	\$ -	\$ -	\$ 142,119
\$ 863,276	\$ -	\$ -	\$ 7,549,630
297,127	-	-	9,314,400
281,050	92,328	-	8,206,578
\$ 1,441,453	\$ 92,328	\$ -	\$ 25,070,608

**HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD**

**Combining Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2021**

	<b>Hampton- Newport News Community Services Board</b>	<b>Hampton- Newport News Community Services Board Property Company, Inc.</b>
<b>Operating Revenues:</b>		
Net patient service revenue - Direct client and third party	\$ 13,536,370	\$ -
Net patient service revenue - Medicaid	10,199,168	-
Net patient service revenue - Other	554,443	-
Other	1,802,453	-
Total operating revenues	\$ 26,092,434	\$ -
<b>Operating Expenses:</b>		
Salaries and benefits	\$ 40,538,481	\$ -
Staff development	143,706	-
Facility	4,471,845	32,206
Supplies	2,377,569	-
Travel	171,281	-
Contractual and consulting	2,566,286	59,596
Depreciation	388,882	758,740
Client support	3,427,157	-
Other	707,672	-
Total operating expenses	\$ 54,792,879	\$ 850,542
<b>Operating Income (Loss)</b>	\$ (28,700,445)	\$ (850,542)
<b>Nonoperating Income (Expenses):</b>		
Rental income	\$ -	\$ 1,743,517
Appropriations:		
Commonwealth of Virginia	19,611,214	-
Federal government	5,054,636	-
Local governments	3,433,703	-
Interest income	3,883	-
Interest expense	(8,070)	(466,770)
Net nonoperating income (expense)	\$ 28,095,366	\$ 1,276,747
<b>Change in Net Position</b>	\$ (605,079)	\$ 426,205
<b>Net Position, Beginning of Year</b>	15,785,303	7,930,398
<b>Net Position, End of Year</b>	\$ 15,180,224	\$ 8,356,603



Share-A-Homes of the Virginia Peninsula, Inc.	Peninsula Community Homes, Inc.	Inter- Company Eliminations	Total
\$ -	\$ -	\$ -	\$ 13,536,370
-	-	-	10,199,168
-	-	-	554,443
-	-	(50,950)	1,751,503
\$ -	\$ -	\$ (50,950)	\$ 26,041,484
\$ -	\$ -	\$ -	\$ 40,538,481
-	-	-	143,706
10,020	-	(1,755,028)	2,759,043
-	-	-	2,377,569
-	-	-	171,281
19,877	1,075	(50,950)	2,595,884
105,002	-	-	1,252,624
-	-	-	3,427,157
-	-	-	707,672
\$ 134,899	\$ 1,075	\$ (1,805,978)	\$ 53,973,417
\$ (134,899)	\$ (1,075)	\$ 1,755,028	\$ (27,931,933)
\$ 217,800	\$ -	\$ (1,755,028)	\$ 206,289
-	-	-	19,611,214
-	-	-	5,054,636
-	-	-	3,433,703
-	-	-	3,883
(48,058)	-	-	(522,898)
\$ 169,742	\$ -	\$ (1,755,028)	\$ 27,786,827
\$ 34,843	\$ (1,075)	\$ -	\$ (145,106)
1,406,610	93,403	-	25,215,714
\$ 1,441,453	\$ 92,328	\$ -	\$ 25,070,608

**HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD**

**Combining Statement of Cash Flows**

**Year Ended June 30, 2021**

	<b>Hampton- Newport News Community Services Board</b>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 25,804,798
Payments to suppliers	(12,308,383)
Payments to and for employees	(39,089,743)
Total cash flows provided by (used for) operating activities	\$ (25,593,328)
<b>Cash flows from noncapital and related financing activities:</b>	
Rental income	\$ -
Government grants	29,513,886
Total cash flows provided by (used for) noncapital and related financing activities	\$ 29,513,886
<b>Cash flows from capital and related financing activities:</b>	
Purchase of capital assets	\$ (69,579)
Interest on long-term debt	(8,070)
Principal paid on notes payable	(12,000)
Total cash flows provided by (used for) capital and related financing activities	\$ (89,649)
<b>Cash flows from investing activities:</b>	
Interest income	\$ 3,883
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 3,834,792
<b>Cash and cash equivalents, beginning of year, including restricted, as restated</b>	9,306,333
<b>Cash and cash equivalents, end of year, including restricted</b>	\$ 13,141,125
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (28,700,445)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operations:	
Depreciation	388,882
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Accounts receivable	(287,636)
Prepaid items	58,095
Net pension asset	4,928,777
Deferred outflows of resources	(2,449,168)
Accounts payable and accrued expenses	1,140,233
Wages payable	136,165
Other accrued liabilities	349,352
Due to/from affiliates	9,453
Compensated absences	47,904
Deferred inflows of resources	(1,214,940)
Cash flows provided by (used for) operating activities	\$ (25,593,328)

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
\$ -	\$ -	\$ -	\$ (50,950)	\$ 25,753,848
(102,234)	(37,286)	(1,075)	1,805,978	(10,643,000)
-	-	-	-	(39,089,743)
<u>\$ (102,234)</u>	<u>\$ (37,286)</u>	<u>\$ (1,075)</u>	<u>\$ 1,755,028</u>	<u>\$ (23,978,895)</u>
\$ 1,743,517	\$ 217,800	\$ -	\$ (1,755,028)	\$ 206,289
-	-	-	-	29,513,886
<u>\$ 1,743,517</u>	<u>\$ 217,800</u>	<u>\$ -</u>	<u>\$ (1,755,028)</u>	<u>\$ 29,720,175</u>
\$ (186,582)	\$ (8,302)	\$ -	\$ -	\$ (264,463)
(468,728)	(48,252)	-	-	(525,050)
(612,105)	(54,047)	-	-	(678,152)
<u>\$ (1,267,415)</u>	<u>\$ (110,601)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,467,665)</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,883
\$ 373,868	\$ 69,913	\$ (1,075)	\$ -	\$ 4,277,498
3,806,880	514,702	92,603	-	13,720,518
<u>\$ 4,180,748</u>	<u>\$ 584,615</u>	<u>\$ 91,528</u>	<u>\$ -</u>	<u>\$ 17,998,016</u>
\$ (850,542)	\$ (134,899)	\$ (1,075)	\$ 1,755,028	\$ (27,931,933)
758,740	105,002	-	-	1,252,624
-	-	-	-	(287,636)
-	-	-	-	58,095
-	-	-	-	4,928,777
-	-	-	-	(2,449,168)
(3,432)	(4,961)	25	-	1,131,865
-	-	-	-	136,165
-	-	-	-	349,352
(7,000)	(2,428)	(25)	-	-
-	-	-	-	47,904
-	-	-	-	(1,214,940)
<u>\$ (102,234)</u>	<u>\$ (37,286)</u>	<u>\$ (1,075)</u>	<u>\$ 1,755,028</u>	<u>\$ (23,978,895)</u>

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

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**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, 2021, 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 2, 2021.

**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 may exist that have not been identified.

**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.

Richmond, Virginia  
November 2, 2021



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

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

**Report on Compliance for Each Major Federal Program**

We have audited Hampton-Newport News Community Services Board's compliance with the types of compliance requirements described 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, 2021. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Hampton-Newport News Community Services Board's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hampton-Newport News Community Services Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hampton-Newport News Community Services Board's compliance.

***Opinion on Each Major Federal Program***

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, 2021.

## Report on Internal Control over Compliance

Management of Hampton-Newport News Community Services Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hampton-Newport News Community Services Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hampton-Newport News Community Services Board's internal control over compliance.

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

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

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 horizontal line.

Richmond, Virginia  
November 2, 2021

**HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identification Number</b>	<b>Federal Expenditures</b>
<u>Department of Agriculture</u>			
Pass-Through Payments:			
Virginia Department of Agriculture:			
Child and Adult Care Food Program	10.558	not available	\$ 15,087
<u>Department of Housing and Urban Development</u>			
Direct Payments:			
Supportive Housing Program	14.235	not applicable	\$ 479,096
<u>Department of Treasury</u>			
Pass-Through Payments:			
City of Newport News, Virginia:			
COVID-19 - Coronavirus Relief Fund	21.019	not available	\$ 104,591
City of Hampton, Virginia:			
COVID-19 - Coronavirus Relief Fund	21.019	not available	203,440
Total Department of Treasury			\$ 308,031
<u>Department of Health and Human Services</u>			
Direct Payments:			
COVID-19-Provider Relief Fund	93.498	not applicable	\$ 23,658
Substance Abuse and Mental Health Services of Regional and National Significance	93.243	not applicable	\$ 403,850
Pass-Through Payments:			
Virginia Department of Behavioral Health and Developmental Services:			
Substance Abuse and Mental Health Services of Regional and National Significance	93.243	5H79TI080197-03 5H79TI080197-04	19,750 423,600
Projects for Assistance in Transition from Homelessness (PATH)	93.150	not available	100,618
Opioid STR	93.788	5H79TI080220-02	612,454
Block Grants for Community Mental Health Services	93.958	2B090SM010053-18	866,454
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B09SM010053-19 2B08TI010053-19 1B08TI083056-01	1,693,535
Total Department of Health and Human Services			\$ 3,720,319
Total expenditures of federal awards			\$ 4,522,533

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

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**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, 2021. 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. Due to guidance available when the FYE 2020 report was issued, the entity reported \$23,658 of Period 1 PRF expenditures on the FYE 2020 SEFA with no significant impact 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, 2021 SEFA is based upon the PRF reporting portal guidelines for Period 1, as specified by HHS.

**Note E - Reconciliation to Financial Statements:**

Total federal expenditures per basic financial statements \$	5,054,636
COVID-19 Provider Relief Funds - Period 1 (reported FY21)	23,658
COVID-19 Provider Relief Funds - Period 2 (reported FY22)	(555,761)
Total federal expenditures \$	<u>4,522,533</u>

HAMPTON-NEWPORT NEWS COMMUNITY SERVICES BOARD

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021

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**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>
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93.958	Block Grants for Community Mental Health Services
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, 2021**

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There were no prior year findings.