WESTERN TIDEWATER COMMUNITY SERVICES BOARD

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

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FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

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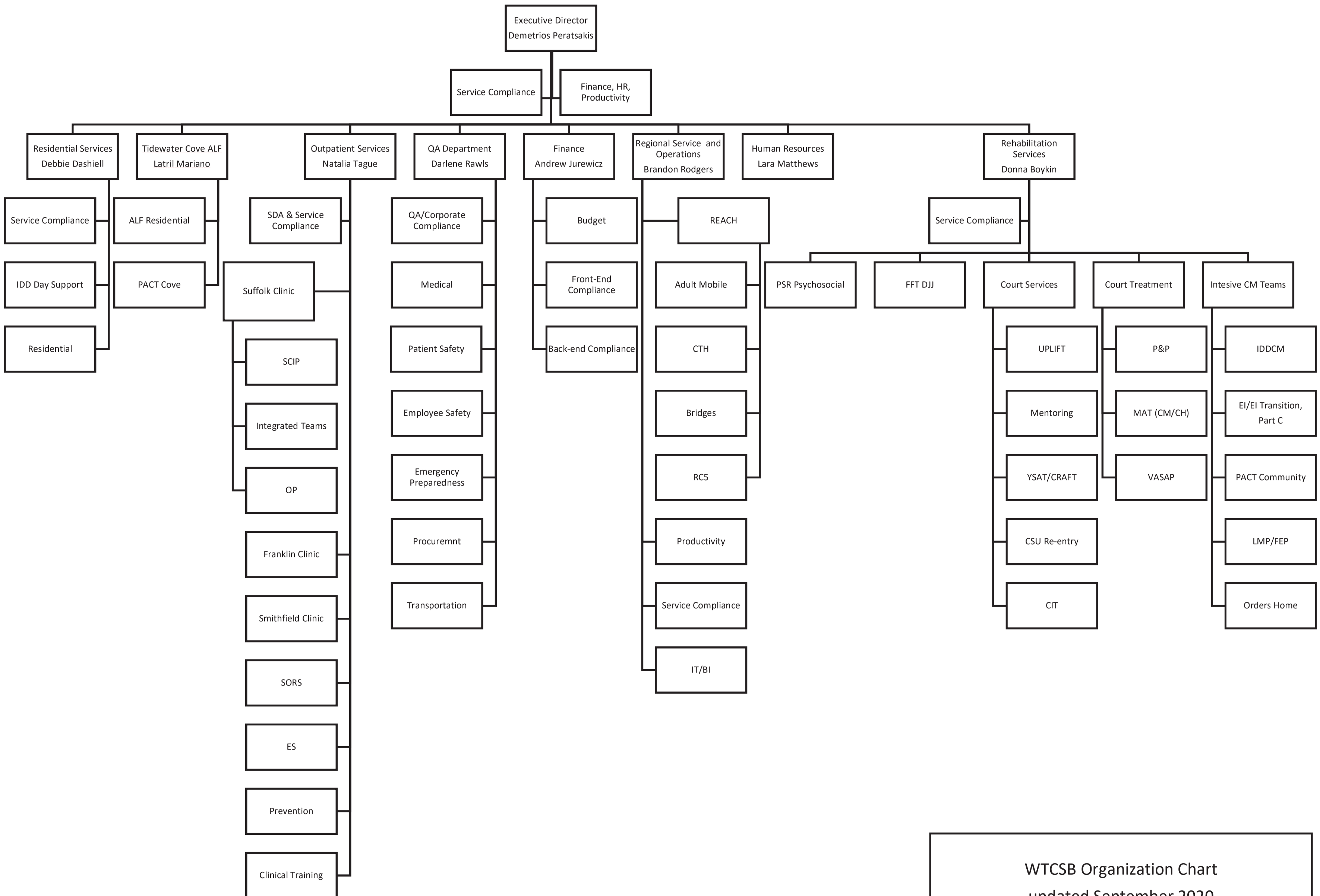
WESTERN TIDEWATER COMMUNITY SERVICES BOARD

SENIOR MANAGEMENT TEAM

Demetrios Peratsakis	Executive Director
Andrew Jurewicz	Finance Director
Darlene Rawls	Community Support Director
Donna Boykin	Care Coordination Director
Brandon Rodgers	Director of Operations
Lara Matthews	Human Resources
Debbie Dashiell	Director of Counseling and Training Services
Natalia Tague	Director of Counseling and Training Services
Latril Mariano	Director of Residential Treatment and Housing Supports



WTCSB Organization Chart
updated September 2020

Robinson, Farmer, Cox Associates, PLLC
Certified Public Accountants

CPAs | Consultants

Independent Auditors' Report

To the Board of Directors
Western Tidewater Community Services Board
Suffolk, 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 Western Tidewater Community Services Board, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Western Tidewater Community Services 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 Western Tidewater Community Services Board, as of June 30, 2021, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2021, the Western Tidewater Community Services Board adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 15 to the financial statements, in 2021, the Western Tidewater Community Services 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 and OPEB funding on pages 4-7 and 38-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Western Tidewater 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.

Report on Summarized Comparative Information

We have previously audited Western Tidewater Community Services Board's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, on our consideration of Western Tidewater 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 Western Tidewater 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 Western Tidewater Community Services Board's internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
November 30, 2021

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This Management's Discussion and Analysis (MD&A) of Western Tidewater Community Services Board's (WTCSB) financial performance provides an overview to the financial statements of the WTCSB for the fiscal year ended June 30, 2021.

Western Tidewater Community Services Board (WTCSB) presents three basic financial statements for the purpose of analyzing the financial position of the WTCSB as of June 30, 2021. These are: (1) Statement of Net Position; (2) Statement of Revenues, Expenses and Changes in Net Position; and (3) Statement of Cash Flows.

WTCSB's financial position is measured in terms of resources (assets and deferred outflows) owned and obligations (liabilities and deferred inflows) owed as of June 30, 2021 and 2020. This information is reflected on the Statement of Net Position. The excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources is the net position.

Information showing the results of operations during fiscal year 2021 and 2020 is reported in the Statement of Revenues, Expenses and Changes in Net Position. This statement details total revenue and total expenses and reflects an excess or deficiency of revenue over expenses for the fiscal years ending June 30, 2021 and 2020.

The flow of cash resources into and out of WTCSB during the fiscal year is reflected on the Statement of Cash Flows. This statement also reflects the net increase or decrease in cash and cash equivalents for the year and the ending cash and cash equivalents as of June 30, 2021 and 2020.

A summary of WTCSB's statements of net position at June 30, 2021 and 2020 is presented below:

Summary Statement of Net Position

	2021	2020
Current assets	$ 20,651,689	$ 11,644,112
Restricted assets	480,864	705,615
Capital assets	11,953,132	12,458,441
Other assets	-	1,151,148
Total assets	$ 33,085,685	$ 25,959,316
Deferred outflows of resources	$ 2,378,923	$ 1,446,416
Current liabilities	$ 8,594,765	$ 5,093,303
Liabilities payable from restricted assets	67,622	343,177
Long-term liabilities	1,497,147	1,564,237
Total liabilities	$ 10,159,534	$ 7,000,717
Deferred inflows of resources	$ 324,297	$ 709,341
Net Position:		
Net investment in capital assets	$ 10,408,341	$ 10,693,118
Restricted	438,020	392,812
Unrestricted	14,134,416	8,609,744
Total net position	$ 24,980,777	$ 19,695,674

The financial position of Western Tidewater Community Services Board increased by $5,285,103 during the year ended June 30, 2021 and increased by $3,884,031 in 2020.

A summary of WTCSB's Statement of Revenues, Expenses and Changes in Net Position for fiscal years 2021 and 2020 is presented below.

Summary Statement of Revenues, Expenses and Changes in Net Position

	2021	2020
Operating revenues:		
Net patient service revenue	$ 21,413,768	$ 20,789,483
Operating expenses	36,909,721	35,039,001
Operating income (loss)	$ (15,495,953)	$ (14,249,518)
Net nonoperating income	20,781,056	18,133,549
Change in net position	$ 5,285,103	$ 3,884,031

Operating income is generated from providing patient services. The majority of operating income is generated from Medicaid services. In fiscal years 2021 and 2020, Net Patient Service Revenue increased 3.00% and decreased by .95%, respectively.

Operating expenses increased 5.34% in 2021 and increased 2.47% in 2020.

Nonoperating income increased by $2,647,507 from the prior year largely due to the $1,921,555 increase in revenues from the Commonwealth of Virginia.

A summary of WTCSB's Statement of Cash Flows for fiscal years 2021 and 2020 is presented below.

Summary Statement of Cash Flows

	2021	2020
Cash flows from operating activities	$ (11,352,962)	$ (12,995,125)
Cash flows from noncapital financing activities	20,879,469	18,234,128
Cash flows from capital and related financing activities	(450,644)	(602,099)
Cash flows from investing activities	1,373	15,681
Net increase (decrease) in cash and cash equivalents	$ 9,077,236	$ 4,652,585
Cash and cash equivalents beginning of year	10,137,665	5,485,080
Cash and cash equivalents end of year	$ 19,214,901	$ 10,137,665

Cash Flows provided by or used for Operating Activities reconcile the operating loss recorded on the Statement of Revenues, Expenses and Changes in Net Position to cash provided by operating activities. In this process, the Operating Loss is decreased by the amount of any non-cash transaction (depreciation) and adjusted for changes in assets and liabilities. (Please see the full Statement of Cash Flows for a complete listing of these transactions).

Cash Flows from Noncapital Financing Activities consist of income received primarily from government grants.

Cash Flows from Capital and Related Financing Activities represent funds from loan proceeds less the costs of acquisitions of capital assets (see Notes to Financial Statements, Note 4 – Capital Assets). Also reflected are principal and interest payments on mortgages and loans payable.

Cash Flows from Investing Activities are comprised of interest income.

Cash and cash equivalents increased $9,289,511 in 2021 and increased $4,652,585 in 2020. The increase is largely due to the increase in nonoperating income.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2021 and 2020 the WTCSB had $11,953,132 and $12,458,441 in net capital assets, respectively. These were comprised primarily of land, buildings and improvements, and equipment and vehicles. (See Notes to Financial Statements, Note 4 – Capital Assets.)

Long-Term Debt

Long-term obligations as of June 30, 2021 are $2,069,459 a net increase of $295,114 from June 30, 2020 (see Notes to Financial Statements, Note 6 - Long-term Obligations). This debt is for five facilities. 1000 Commercial Lane, our Suffolk Services Center and the Pathways ID day support complex is financed by SunTrust Bank with a balance of $920,605. The two Intermediate Care Facilities located at 4373 and 4395 Pruden Blvd. are financed with a $574,800 loan from Farmer's Bank with a balance of $380,433. Neighbor's Place located at 22510 Thomas Woods Lane, Zuni, Virginia is financed with a loan from the Department of Housing and Urban Development with a balance of $243,753.

Other Significant Activities in Fiscal Year 2021

Western Tidewater is one of forty Community Services Boards that serve the Commonwealth of Virginia. WTCSB is the local authority on Mental Health, Intellectual Disabilities and Substance Abuse Services and is responsible for providing community behavioral healthcare to the citizens of the cities of Suffolk, Franklin, and the counties of Southampton and Isle of Wight. These consumers are primarily underinsured families with children or adult members suffering from chronic and pervasive disabilities. Western Tidewater Community Services Board provided 825,752 units of service across all disabilities (Mental Health, Substance Abuse, and Intellectual Disabilities) to over 5,652 distinct consumers.

In addition to providing local services and supports to the aforementioned communities WTCSB also services as the lead CSB in Health Planning Region V that covers the southeastern geographic are of Virginia. Regional services and supports include a 24/7 Regional Crisis Program for developmentally disabled individuals REACH; operation of a 65 bed Licensed Assisted Living Facility specializing in the treatment of seriously and persistently mentally ill adults and operation of a regional crisis unit for children. In FY 2020 WTCSB also became the fiscal agent and assumed responsibility for Mobile Crisis Teams that will manage all crisis calls for children and adolescents experiencing an acute behavioral health crisis in Region V. In FY 2021 and FY 2022 WTCSB continues to expand regional responsibilities to include: Regional Dementia/Memory Care Unit, Crisis Receiving Center, Adult Crisis Stabilization Unit, and Regional Crisis Call Center.

Virginia is moving to a 988 crisis number and there will be five call centers across the commonwealth, one within each of the major regions. WTCSB will be taking the lead and will stand up the call center for Region V. Similar to 911, the 988 number will capture emergency situations from law enforcement, emergency departments, medical clinics, and individuals in the community for those who are experiencing a behavioral health crisis.

Western Tidewater CSB continues to review and modify its services to ensure success with STEP-VA, a state-wide strategic plan for reforming behavioral health services in Virginia. DBHDS designed System Transformation Excellence and Performance (STEP-VA), an innovative initiative for individuals with behavioral health disorders featuring a uniform set of required services, consistent quality measures, and improved oversight in all Virginia communities. Core service elements of STEP –VA include: Same Day Access (SDA), Standardized Core Community Services, 24/7 Mobile Crisis, Veterans Services, Robust Child Services, and Connections to Primary Care. Funding for the next phases of STEP VA were un-allotted from the 2021 budget but have been subsequently re-allotted for FY 2022. Funding was given to provide service supports for military and veteran families and create a regional navigator position that will focus the issues that can be very specific to military families such as Post Traumatic Stress Disorder (PTSD), Traumatic Brain Injury (TBI), and military sexual assault. This will place WTCSB as the lead in the region on this training. Funding also has been given for Peer and Family Support. This STEP-VA initiatives is to develop peer and family supports within the community and facilitate peer certification which will prepare individuals for employment which will allow financial independence.

COVID continues to influence business for WTCSB. Telehealth and remote capabilities have flourished over the past two years while workforce retention and recruitment problems persist.

WTCSB has been investing in infrastructure over the past several years including:

- A one-time investment in Credible Electronic Health Record and Business Tools increasing capability in business intelligence reporting.
- Upgraded MAS/SAGE accounting software to cloud based solution and adding a fixed assets module this year. This software is used to report financial accountability measures in CARS to DBHDS
- Upgrade of KRONOS Human Resources and timekeeping software, facilitating the onboarding and departure from the agency and assists managers in reducing overtime. This upgrade also enhanced scheduling, talent acquisition, and performance management modules.
- Purchase of RightSignature to gather electronic signatures for both clinical and administrative needs
- Upgraded Remote Meeting Software to include larger meeting numbers and improved telehealth

WTCSB continues to accumulate adequate cash reserves to cover the required average operating costs of the agency required by the Department of Behavioral Health and Disability Services (DBHDS). WTCSB ended June 2021 with an average of 19.74 weeks of operating expenses in cash reserves before considering the line of credit and that trend continues to increase.

- Basic Financial Statements -

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Statement of Net Position
As of June 30, 2021
(With Comparative Totals for 2020)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2021	2020
Current Assets:		
Cash and cash equivalents	$ 18,757,425	$ 9,467,914
Accounts receivable, less allowance for uncollectibles	1,894,264	2,176,198
Total current assets	$ 20,651,689	$ 11,644,112
Restricted Assets:		
Cash and cash equivalents	$ 457,476	$ 669,751
Accounts receivable	23,388	35,864
Total restricted assets	$ 480,864	$ 705,615
Capital Assets:		
Land	$ 2,288,708	$ 2,288,708
Other capital assets, less accumulated depreciation	9,664,424	10,169,733
Total capital assets, net	$ 11,953,132	$ 12,458,441
Other Assets:		
Net pension asset	$ -	$ 1,151,148
Total assets	$ 33,085,685	$ 25,959,316
Deferred Outflows of Resources:		
Pension related items	$ 2,342,297	$ 1,417,736
OPEB related items	36,626	28,680
Total deferred outflows of resources	$ 2,378,923	$ 1,446,416
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,569,248	$ 1,244,004
Compensated absences	1,194,857	1,025,839
Amounts held for others - regional funds	5,258,348	2,613,352
Long-term debt, current portion	572,312	210,108
Total current liabilities	$ 8,594,765	$ 5,093,303
Liabilities Payable from Restricted Assets:		
Client and consumer funds	$ -	$ 257,695
Accounts payable and accrued expenses	49,299	68,193
Long-term debt, current portion	13,320	12,254
Security deposits	5,003	5,035
Total liabilities payable from restricted assets	$ 67,622	$ 343,177
Long-Term Liabilities:		
Net OPEB liability	$ 18,285	$ 21,276
Net pension liability	519,703	-
Long-term debt, less current portion	959,159	1,542,961
Total long-term liabilities	$ 1,497,147	$ 1,564,237
Total liabilities	$ 10,159,534	$ 7,000,717
Deferred Inflows of Resources:		
Pension related items	$ 298,423	$ 691,936
OPEB related items	25,874	17,405
Total deferred inflows of resources	$ 324,297	$ 709,341
Net Position:		
Net investment in capital assets	$ 10,408,341	$ 10,693,118
Restricted	438,020	392,812
Unrestricted	14,134,416	8,609,744
Total net position	$ 24,980,777	$ 19,695,674

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2021
(With Comparative Totals for 2020)

		2021		2020
Operating revenue:				
Net patient service revenue	$	21,413,768	$	20,789,483
Operating expenses:				
Salaries and benefits	$	26,638,058	$	26,444,544
Staff development		83,752		171,909
Facility		1,754,655		2,043,825
Supplies		1,795,297		1,255,242
Travel		242,787		424,599
Contractual and consulting		3,027,851		2,380,940
Depreciation		648,078		690,656
Other		2,719,243		1,627,286
Total operating expenses	$	36,909,721	$	35,039,001
Operating income (loss)	$	(15,495,953)	$	(14,249,518)
Nonoperating income (expenses):				
Commonwealth of Virginia	$	17,342,101	$	15,420,546
Federal government		2,268,809		1,712,788
Local governments		738,007		601,559
Rentals		283,523		263,008
Interest income		1,373		15,681
Other		234,586		224,783
Loss on disposition of capital assets		(1,182)		(8,748)
Interest expense		(86,161)		(96,068)
Net nonoperating income (expenses)	$	20,781,056	$	18,133,549
Change in net position	$	5,285,103	$	3,884,031
Net position, beginning of year		19,695,674		15,811,643
Net position, end of year	$	24,980,777	$	19,695,674

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Statement of Cash Flows
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Receipts from customers	$ 21,695,702	$ 20,620,453
Payments to suppliers	(6,929,933)	(6,771,266)
Payments to and for employees	(26,118,731)	(26,844,312)
Net cash provided by (used for) operating activities	$ (11,352,962)	$ (12,995,125)
Cash flows from noncapital financing activities:		
Government grants	$ 20,348,917	$ 17,734,893
Other	530,552	499,235
Net cash provided by (used for) noncapital financing activities	$ 20,879,469	$ 18,234,128
Cash flows from capital and related financing activities:		
Acquisition of capital assets	$ (143,951)	$ (295,321)
Interest on long-term debt	(86,161)	(96,146)
Principal payments on mortgages payable	(220,532)	(210,632)
Net cash provided by (used for) capital and related financing activities	$ (450,644)	$ (602,099)
Cash flows from investing activities:		
Interest income	$ 1,373	$ 15,681
Net increase (decrease) in cash and cash equivalents	$ 9,077,236	$ 4,652,585
Cash and cash equivalents, beginning of year, including restricted cash	10,137,665	5,485,080
Cash and cash equivalents, end of year, including restricted cash	$ 19,214,901	$ 10,137,665
Reconciliation to statement of net position:		
Cash and cash equivalents	$ 18,757,425	$ 9,467,914
Cash and cash equivalents - restricted	457,476	669,751
Total cash and cash equivalents, end of year	$ 19,214,901	$ 10,137,665
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ (15,495,953)	$ (14,249,518)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	648,078	690,656
Changes in assets, liabilities and deferred outflows/inflows of resources:		
Due from other governments	-	43,101
Accounts receivable	281,934	(212,131)
Deferred outflows of resources - pension related items	(924,561)	(908,039)
Deferred outflows of resources - OPEB related items	(7,946)	(8,971)
Accounts payable and accrued expenses	306,351	(208,154)
Compensated absences	169,018	(381,804)
Amounts held for others - regional funds	2,644,996	1,233,018
Client and consumer funds	(257,695)	107,671
Net pension asset	1,151,148	1,210,395
Net pension liability	519,703	-
Net OPEB liability	(2,991)	5,762
Deferred inflows of resources - pension related items	(393,513)	(313,308)
Deferred inflows of resources - OPEB related items	8,469	(3,803)
Net cash provided by (used for) operating activities	$ (11,352,962)	$ (12,995,125)

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Statement of Fiduciary Net Position
At June 30, 2021

	Private-Purpose Trust Funds
ASSETS:	
Cash and cash equivalents	$ 399,371
Total assets	$ 399,371
NET POSITION:	
Restricted for:	
Patient funds	$ 235,804
Representative payee funds	101,520
Resident funds	62,047
Total net position	$ 399,371

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

		Private-Purpose Trust Funds
ADDITIONS:		
Patient funds received	$	505,687
Representative payee funds received		693,091
Resident funds received		466,541
Total additions	$	1,665,319
DEDUCTIONS:		
Patient funds	$	374,032
Representative payee funds		678,865
Resident funds		465,550
Total deductions	$	1,518,447
Net increase (decrease) in fiduciary net position	$	146,872
Net position, beginning - as restated		252,499
Net position, ending	$	399,371

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Organization:

The Board operates as an agent for the Cities of Suffolk and Franklin and Counties of Isle of Wight and Southampton in the establishment and operation of community mental health, intellectual disability and substance abuse programs as provided for in Chapter 5 of Title 37.2 of the Code of Virginia (1950), as amended, relating to the Virginia Department of Behavioral Health and Developmental Services. The Board provides a system of community mental health and intellectual disability and substance abuse services which are developed in and meet the needs of the participating localities.

B. Reporting Entity:

For financial reporting purposes, the Board includes all organizations for which it is considered financially accountable. All component units included in these financial statements have years which end on June 30.

C. Individual Component Unit Disclosures:

Blended Component Units: Blended component units, although legally separate entities are, in substance, part of the Board's operations, and so data from these units are combined with data of the Board. The Board has the following blended component units.

Isle of Wight Opportunities for the Disabled: Isle of Wight Opportunities for the Disabled owns a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Jay's Place: Jay's Place is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Wilkins of Suffolk: The Wilkins of Suffolk is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Reggie's Place: Reggie's Place is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Barrett House: Barrett House is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Gabriel's Place: Gabriel's Place is an organization established to operate a residential facility for intellectually disabled and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Deferred Outflows/Inflows 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 Board only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement dates. For more detailed information on these items, reference the related notes.

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 Board has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

E. Basis of Accounting:

The Board is funded by federal, state and local funds. Its accounting policies are governed by applicable provisions of these grants and applicable pronouncements and publications of the grantors. The Board utilizes the accrual basis of accounting where revenues are recorded when earned and expenses recorded when due.

F. Financial Statement Presentation:

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB) and the Virginia Department of Behavioral Health and Developmental Services. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

G. Enterprise Fund Accounting:

Western Tidewater Community Services Board is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board. For financial reporting purposes, the Board utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis.

H. Fiduciary Funds (Trust and Custodial Funds):

Fiduciary Funds (Trusts and Custodial Funds) account for assets held by the Board in a trustee capacity or as a custodian for individuals, and other governmental units. These funds include private-purpose trust funds, which consist of client and patient funds. Fiduciary funds are reported on full accrual basis of accounting.

I. Use of Estimates:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

J. Cash and Cash Equivalents:

The Board maintains cash accounts with financial institutions in accordance with the Virginia Security for Public Deposits Act of the Code of Virginia. The Act requires financial institutions to meet specific collateralization requirements. Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less from the date of acquisition.

K. Net Client Service Revenue:

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

L. Financial Assistance:

The Board is required to collect the cost of services from third party sources and those individuals who are able to pay. However, the payment of amounts charged is based on individual circumstances and unpaid balances are pursued to the extent of the client's ability to pay. The Board has established procedures for granting financial assistance in cases of hardship. The granting of financial assistance results in a substantial reduction and/or elimination of charges to individual clients. Because the Board does not pursue the collection of amounts determined to qualify for financial assistance, they are not reported as revenue.

The vast majority of fees collected result from Medicaid billings.

M. Capital Assets:

Capital assets, which include property, furniture, equipment and vehicles acquired are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 5 to 31 years and is computed using the straight-line method. Donated capital assets are recorded at their acquisition value at the time of the gift. All capital asset additions with a cost greater than $5,000 are capitalized.

N. Restricted Assets:

The Board segregates monies held on behalf of third parties and restricted donations and other items which have not yet been totally expended for their intended purposes.

O. Compensated Absences:

The Board's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service. Employees terminating their employment are paid by the Board their accumulated annual leave up to the maximum limit which is 320 hours provided that they have 5 years of continued salaried employment. Unused sick leave is paid at the date of separation based on length of service. The amount that shall be paid is limited to 25% of accrued sick leave up to a maximum of $5,000 for employees with at least five years of service.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

O. Compensated Absences: (Continued)

The liabilities for annual and sick leave have been recorded. The amount of annual and sick leave recognized as expense is the amount earned during the year. The balance at June 30, 2021 was $1,194,857. Because the timing of the use of accrued leave is not estimable, the total amount has been classified as a current liability.

P. Investments:

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

Q. Budgetary Accounting:

The Board follows these procedures in establishing its budgets:

1. In response to Letters of Notification received from the Virginia Department of Behavioral Health and Developmental Services (the Department), the Board submits a Performance Contract to the Department. This application contains complete budgets for all Core Services.

2. The Board's Performance reports are filed with the Department during the fiscal year, 45 working days after the end of the second and third quarters. The final quarterly report is due by August 31, unless extended, following the end of the fiscal year.

3. If any changes are made during the fiscal year in state or federal block grants or local match funds, the Board submits Performance Contract revisions which reflect these changes in time to be received by the Department by required deadlines.

R. Operating and Nonoperating Revenues and Expenses:

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

S. Comparative Totals:

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

T. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

U. Net Position Flow Assumption:

The Board may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted net position to have been depleted or used before unrestricted net position is applied.

V. Rental Income:

The component unit organizations receive rental income from tenants, including those eligible for certain U.S. Department of Housing and Urban Development programs. Tenant lease agreements are generally for one year terms and rental income is recorded when earned. This revenue is reported in other nonoperating income for financial reporting.

W. Pensions:

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

X. Other Postemployment Benefits (OPEB):

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS HIC Plan and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Y. Unearned Revenue:

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Restricted Cash:

Restricted cash represents funds held for debt service reserves and cash held by the component unit organizations for various purposes.

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), and certain corporate notes banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments):

The Board's investment policy requires it to take all possible precautions to minimize the credit risk of its investments through the monitoring of the credit worthiness of the banks and other organizations in which it deposits its money.

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.

Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings				
	AAAm	AA	A	A1	Unrated
Virginia Local Government Investment Pool	$ 800,104	$ -	$ -	$ -	$ -

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Concentration of Credit Risk:

The Board's investment policy regarding the concentration of credit risk requires the minimization of credit risk by limiting investments to the safest securities, prequalifying financial institutions, brokers, dealers and other organizations, and diversifying the investment portfolio to limit potential losses on individual securities.

Interest Rate Risk:

The Board's investment policy requires the investing of operating funds primarily in short-term securities, money market funds or similar investment pools to minimize interest rate risk. The following details the Board's investments at June 30, 2021.

Investment Type	Value	Less Than One Year	1-5 Years	6-10 Years	10 Years +
Virginia Local Government Investment Pool	$ 800,104	$ 800,104	$ -	$ -	$ -

External Investment Pool:

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

Summary of Cash, Deposits and Investments:

	2021	2020
Cash on hand	$ 4,305	$ 4,645
Cash in banks	17,953,016	8,390,570
Investments	800,104	1,072,699
Total	$ 18,757,425	$ 9,467,914
Cash and cash equivalents:		
Unrestricted	$ 18,757,425	$ 9,467,914
Restricted	457,476	669,751
Total	$ 19,214,901	$ 10,137,665
Restricted cash and cash equivalents consist of:		
Debt service reserves	$ 324,916	$ 577,282
Other entities	132,560	92,469
Total	$ 457,476	$ 669,751

NOTE 3 - ACCOUNTS RECEIVABLE:

At June 30, 2021 and 2020, the Board had accounts receivable due from the following primary sources.

	2021	2020
Virginia Department of Medical Assistance Services (Medicaid)	$ 1,236,968	$ 1,722,088
Direct client and third party	1,013,833	1,128,765
Other	13,460	35,177
Restricted accounts receivable	23,388	35,864
Total	$ 2,287,649	$ 2,921,894
Less: Allowance for uncollectibles	(369,997)	(709,832)
Net accounts receivable	$ 1,917,652	$ 2,212,062

Other than the amounts due for Medicaid charges, there are no other individually significant sources of receivables.

Net accounts receivable are allocated as follows:

	2021	2020
Unrestricted	$ 1,894,264	$ 2,176,198
Restricted	23,388	35,864
Total	$ 1,917,652	$ 2,212,062

The allowance for uncollectible accounts has been computed using historical data and specific account analysis.

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year is as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land	$ 2,288,708	$ -	$ -	$ 2,288,708
Total capital assets not being depreciated	$ 2,288,708	$ -	$ -	$ 2,288,708
Other capital assets:				
Buildings and improvements	$ 12,977,980	$ 31,383	$ -	$ 13,009,363
Furniture and equipment	1,616,043	32,222	5,473	1,642,792
Vehicles	3,693,542	80,346	117,902	3,655,986
Total other capital assets	$ 18,287,565	$ 143,951	$ 123,375	$ 18,308,141
Less: Accumulated depreciation				
Buildings and improvements	$ 3,793,317	$ 348,477	$ -	$ 4,141,794
Furniture and equipment	1,176,096	100,293	4,291	1,272,098
Vehicles	3,148,419	199,308	117,902	3,229,825
Total accumulated depreciation	$ 8,117,832	$ 648,078	$ 122,193	$ 8,643,717
Other capital assets, net	$ 10,169,733	$ (504,127)	$ 1,182	$ 9,664,424
Net capital assets	$ 12,458,441	$ (504,127)	$ 1,182	$ 11,953,132

Depreciation expense totaled $648,078 for FY 2021 and $690,656 for FY 2020.

NOTE 5 - LEASE COMMITMENTS:

The Board leases office space, vehicles and other facilities from various lessors. The lease terms generally range from monthly to one year.

Rent expenses totaled $415,991 for fiscal year 2021 and $401,194 for fiscal year 2020.

NOTE 6 - LONG-TERM OBLIGATIONS:

	Balance	Current Portion
Direct Borrowings and Direct Placements:		
$3,000,000, SunTrust Bank, interest at 4.60%, due in monthly installments of $19,171 through November 2025, secured by real estate.	$ 920,605	$ 191,879
$375,000, U.S. Department of Housing and Urban Development, interest at 8.375%, due in monthly installments of $2,769 through October 2032, secured by real estate.	243,753	13,320
$574,800, Farmer's Bank, interest at 4.255%, payable in monthly installments of $3,817 through May 2022 with a final payment due June 2022, secured by real estate.	380,433	380,433
Total mortgages payable	$ 1,544,791	$ 585,632
Net OPEB liability	$ 18,285	$ -
Net pension liability	$ 519,703	$ -
Total long-term obligations	$ 1,563,076	$ 585,632

Annual requirements to amortize mortgages payable at current interest rates are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements Principal	Direct Borrowings and Direct Placements Interest
2022	$ 585,632	$ 73,578
2023	215,373	47,911
2024	226,072	37,212
2025	237,324	25,960
2026	115,884	15,705
2027-2031	120,286	45,867
2032-2033	44,220	2,827
Total	$ 1,544,791	$ 249,060

NOTE 6 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations:

	Direct Borrowings and Direct Placements			
	Mortgages Payable	Net OPEB Liability	Net Pension Liability	Total
Balance at July 1, 2020	$ 1,765,323	$ 21,276	$ -	$ 1,786,599
Additions	-	42,225	2,845,066	2,887,291
Retirements	(220,532)	(45,216)	(2,325,363)	(2,591,111)
Balance at June 30, 2021	$ 1,544,791	$ 18,285	$ 519,703	$ 2,082,779

The Board is in compliance with federal arbitrage regulations.

Total interest cost for fiscal year 2021 was $86,161, all of which was expensed.

The Board's outstanding notes from direct borrowings and direct placements contain a provision that in an event of default, outstanding amounts become immediately due if the Board is unable to make payment.

NOTE 7 - PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service 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.

NOTE 7 - PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

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. 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. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	114
Inactive members:	
Vested inactive members	65
Non-vested inactive members	160
Inactive members active elsewhere in VRS	135
Total inactive members	360
Active members	404
Total covered employees	878

NOTE 7 - PENSION PLAN: (CONTINUED)

Contributions

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

The Board's contractually required employer contribution rate for the year ended June 30, 2021 was 3.66% 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 Board were $479,199 and $480,402 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Board, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions – General Employees

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

NOTE 7 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

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 2020; 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 2020; 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 2020; 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 Other (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%

NOTE 7 - 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 40th 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%.

NOTE 7 - PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Board was also provided with an opportunity to use an 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 Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	$ 39,708,030	$ 40,859,178	$ (1,151,148)
Changes for the year:			
Service cost	$ 1,338,915	$ -	$ 1,338,915
Interest	2,630,011	-	2,630,011
Differences between expected and actual experience	(291,784)	-	(291,784)
Contributions - employer	-	468,369	(468,369)
Contributions - employee	-	789,211	(789,211)
Net investment income	-	775,999	(775,999)
Benefit payments, including refunds of employee contributions	(1,489,797)	(1,489,797)	-
Administrative expenses	-	(26,355)	26,355
Other changes	-	(933)	933
Net changes	$ 2,187,345	$ 516,494	$ 1,670,851
Balances at June 30, 2020	$ 41,895,375	$ 41,375,672	$ 519,703

NOTE 7 - PENSION PLAN: (CONTINUED)

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

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

		Rate	
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Board's Net Pension Liability (Asset)	$ 6,142,461	$ 519,703	$ (4,114,327)

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

For the year ended June 30, 2021, the Board recognized pension expense of $819,943. At June 30, 2021, the Board 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	$ -	$ 298,423
Change of assumptions	612,997	-
Net difference between projected and actual earnings on pension plan investments	1,250,101	-
Employer contributions subsequent to the measurement date	479,199	-
Total	$ 2,342,297	$ 298,423

NOTE 7 - PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

$479,199 was reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 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	$	218,164
2023		574,155
2024		377,710
2025		394,646
Thereafter		-

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 8 - FISCAL AGENT:

The City of Franklin, Virginia acts as fiscal agent for the Board pursuant to the requirements of Section 37.1-195 of the Code of Virginia (1950), as amended.

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

The Board operates programs which are funded by grants received from federal, state or local sources. Expenditures financed by grants are subject to audit by the grantor. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor. The Board believes that the likelihood of disallowance of expenditures and subsequent reimbursement is remote and would not have a material effect on the overall financial position of the Board. Federal programs in which the Board participates were audited in accordance with the provisions of the U.S. Office of Management and Uniform Guidance.

The reimbursement office of the Board is periodically reviewed by representatives of federal and state authorities regarding its billing of Medicaid and Medicare. These reviews may result in the Board refunding certain collections or prior claims to Medicare and Medicaid. The impact of these reviews cannot be presently determined. However, the Board's management believes that any liability for reimbursement which may arise as the result of these audits is not believed to be material to the financial position of the Board.

NOTE 9 - COMMITMENTS AND CONTINGENCIES: (CONTINUED)

The Board may be involved in potential lawsuits arising in the ordinary course of business. It is management's belief that any liability resulting from such lawsuits would not be material in relation to the Board's financial position.

NOTE 10 - RISK MANAGEMENT:

The Board has contracted with the Commonwealth of Virginia Division of Risk Management and private insurance carriers for property damage and liability, workers' compensation, directors and officers liability and professional liability coverages. Coverages are $12,090,000 for real and personal property and related items, $1,000,000 for directors and officers and $2,100,000 for professional liability policies. Workers' compensation coverages are for statutory amounts. There are no surety bond coverages required or purchased for members of the Board of Directors. Management believes its insurance coverages are sufficient to preclude any significant uninsured losses to the Board. There have been no settlements in excess of insurance coverage for the past three years. The Board and its related entities assume risks related to damages in excess of insurance coverages and related deductibles.

NOTE 11 - CONTRIBUTIONS BY PARTICIPANT LOCAL GOVERNMENTS:

Funds contributed by participant local governments were as follows:

	2021	2020
City of Suffolk	$ 413,021	$ 307,330
City of Franklin	33,262	36,958
County of Isle of Wight	217,774	184,771
County of Southampton	73,950	72,500
Total	$ 738,007	$ 601,559

NOTE 12 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient service revenues were from the following sources:

	2021	2020
Medicaid	$ 10,042,457	$ 10,619,117
Direct client and third party	2,354,853	1,992,773
Other	9,016,458	8,177,593
Total	$ 21,413,768	$ 20,789,483

NOTE 13 - NET POSITION:

Isle of Wight Opportunities for the Disabled, a component unit of the Board, has a deficit net position balance of $179,960 at June 30, 2021.

Restricted net position of the Board consists of the following:

Cash and other assets held by component unit organizations which are restricted for HUD purposes	$ 113,104
Other Board restrictions	324,916
Total	$ 438,020

The net position restricted for HUD purposes is considered restricted due to the regulatory oversight over the component units funded by HUD and the restrictions on the use of the properties pursuant to the acceptance of capital advance funds and loans by the organizations.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	38
Total inactive members	38
Active members	404
Total covered employees	442

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The Board's contractually required employer contribution rate for the year ended June 30, 2021 was .09% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate 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 from the Board to the HIC Program were $15,827 and $19,290 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Net HIC OPEB Liability

The Board's net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total HIC OPEB liability 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:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, 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 the OPEB liabilities.

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; 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 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Actuarial Assumptions: (Continued)

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability 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%

Long-Term Expected Rate of Return

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

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 Investement Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Long-Term Expected Rate of Return: (Continued)

*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 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital markets assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	$ 407,556	$ 386,280	$ 21,276
Changes for the year:			
Service cost	$ 14,592	$ -	$ 14,592
Interest	26,878	-	26,878
Differences between expected and actual experience	(18,233)	-	(18,233)
Contributions - employer	-	19,293	(19,293)
Net investment income	-	7,690	(7,690)
Benefit payments	(18,728)	(18,728)	-
Administrative expenses	-	(751)	751
Other changes	-	(4)	4
Net changes	$ 4,509	$ 7,500	$ (2,991)
Balances at June 30, 2020	$ 412,065	$ 393,780	$ 18,285

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Sensitivity of the Board's HIC Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Board's Net HIC OPEB Liability (Asset)	$ 66,490	$ 18,285	$ (22,478)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2021, the Board recognized HIC Program OPEB expense of $13,362. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to the Board's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 19,455
Net difference between projected and actual earnings on HIC OPEB plan investments	13,033	-
Change in assumptions	7,766	6,419
Employer contributions subsequent to the measurement date	15,827	-
Total	$ 36,626	$ 25,874

$15,827 was reported as deferred outflows of resources related to the HIC OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2022	$ (2,795)
2023	(170)
2024	(80)
2025	1,779
2026	(1,830)
Thereafter	(1,979)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HIC Plan Data

Information about the VRS Political Subdivision HIC Program is 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 15 – ADOPTION OF ACCOUNTING PRINCIPLE:

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 prepared. The implementation of this Statement resulted in the following restatement of net position:

	Fiduciary Fund Private-Purpose Trust Funds
Net Position as originally reported at July 1, 2020	$ -
Implementation of GASB Statement No. 84	252,499
Net Position as restated at July 1, 2020	$ 252,499

NOTE 16 – UPCOMING PRONOUNCEMENTS:

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, 2020.

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

NOTE 17 – COVID-19 PANDEMIC:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. Western Tidewater Community Services Board is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2022.

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- Required Supplementary Information -

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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	2018	2017	2016	2015	2014
Total pension liability							
Service cost	$ 1,338,915	$ 1,404,579	$ 1,120,868	$ 1,148,096	$ 1,079,319	$ 1,022,214	$ 1,025,485
Interest	2,630,011	2,470,370	2,332,985	2,203,999	2,091,577	2,002,356	1,865,455
Differences between expected and actual experience	(291,784)	(64,265)	(297,355)	(146,127)	(559,745)	(705,766)	-
Changes in assumptions	-	1,261,671	-	(347,840)	-	-	-
Benefit payments, including refunds of employee contributions	(1,489,797)	(1,310,641)	(1,077,089)	(953,829)	(1,056,417)	(1,032,029)	(838,386)
Net change in total pension liability	$ 2,187,345	$ 3,761,714	$ 2,079,409	$ 1,904,299	$ 1,554,734	$ 1,286,775	$ 2,052,554
Total pension liability - beginning	39,708,030	35,946,316	33,866,907	31,962,608	30,407,874	29,121,099	27,068,545
Total pension liability - ending (a)	$ 41,895,375	$ 39,708,030	$ 35,946,316	$ 33,866,907	$ 31,962,608	$ 30,407,874	$ 29,121,099
Plan fiduciary net position							
Contributions - employer	$ 468,369	$ 499,550	$ 721,226	$ 597,248	$ 826,080	$ 716,269	$ 766,310
Contributions - employee	789,211	803,027	798,405	642,663	578,410	511,262	484,390
Net investment income	775,999	2,585,866	2,623,420	3,836,489	546,746	1,331,894	3,905,265
Benefit payments, including refunds of employee contributions	(1,489,797)	(1,310,641)	(1,077,089)	(953,829)	(1,056,417)	(1,032,029)	(838,386)
Administrative expense	(26,355)	(24,852)	(21,788)	(21,426)	(18,388)	(17,753)	(20,500)
Other	(933)	(1,631)	(2,377)	(3,446)	(228)	(283)	206
Net change in plan fiduciary net position	$ 516,494	$ 2,551,319	$ 3,041,797	$ 4,097,699	$ 876,203	$ 1,509,360	$ 4,297,285
Plan fiduciary net position - beginning	40,859,178	38,307,859	35,266,062	31,168,363	30,292,160	28,782,800	24,485,515
Plan fiduciary net position - ending (b)	$ 41,375,672	$ 40,859,178	$ 38,307,859	$ 35,266,062	$ 31,168,363	$ 30,292,160	$ 28,782,800
Board's net pension liability (asset) - ending (a) - (b)	$ 519,703	$ (1,151,148)	$ (2,361,543)	$ (1,399,155)	$ 794,245	$ 115,714	$ 338,299
Plan fiduciary net position as a percentage of the total pension liability	98.76%	102.90%	106.57%	104.13%	97.52%	99.62%	98.84%
Covered payroll	$ 17,536,759	$ 17,918,115	$ 16,961,551	$ 13,417,215	$ 12,137,983	$ 10,281,973	$ 9,640,834
Board's net pension liability (asset) as a percentage of covered payroll	2.96%	-6.42%	-13.92%	-10.43%	6.54%	1.13%	3.51%

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Schedule of Employer Contributions
Pension Plan
Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	$ 479,199	$ 479,199	$ -	$ 17,585,121	2.73%
2020	480,402	480,402	-	17,536,759	2.74%
2019	509,697	509,697	-	17,918,115	2.84%
2018	720,822	720,822	-	16,961,551	4.25%
2017	657,444	657,444	-	13,417,215	4.90%
2016	855,728	855,728	-	12,137,983	7.05%
2015	724,879	724,879	-	10,281,973	7.05%
2014	767,410	767,410	-	9,640,834	7.96%
2013	774,788	774,788	-	9,733,523	7.96%
2012	565,477	565,477	-	9,633,342	5.87%

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%

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Schedule of Changes in the Board's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

	2020	2019	2018	2017
Total HIC OPEB Liability				
Service cost	$ 14,592	$ 15,087	$ 12,289	$ 13,810
Interest	26,878	25,639	24,367	23,557
Differences between expected and actual experience	(18,233)	(3,403)	(2,756)	-
Changes in assumptions	-	11,014	-	(15,007)
Benefit payments	(18,728)	(14,115)	(17,345)	(4,202)
Net change in total HIC OPEB liability	$ 4,509	$ 34,222	$ 16,555	$ 18,158
Total HIC OPEB Liability - beginning	407,556	373,334	356,779	338,621
Total HIC OPEB Liability - ending (a)	$ 412,065	$ 407,556	$ 373,334	$ 356,779
Plan fiduciary net position				
Contributions - employer	$ 19,293	$ 19,712	$ 25,450	$ 20,137
Net investment income	7,690	23,404	23,532	33,193
Benefit payments	(18,728)	(14,115)	(17,345)	(4,202)
Administrative expense	(751)	(513)	(566)	(560)
Other	(4)	(28)	(1,613)	1,613
Net change in plan fiduciary net position	$ 7,500	$ 28,460	$ 29,458	$ 50,181
Plan fiduciary net position - beginning	386,280	357,820	328,362	278,181
Plan fiduciary net position - ending (b)	$ 393,780	$ 386,280	$ 357,820	$ 328,362
Board's net HIC OPEB liability - ending (a) - (b)	$ 18,285	$ 21,276	$ 15,514	$ 28,417
Plan fiduciary net position as a percentage of the total HIC OPEB liability	95.56%	94.78%	95.84%	92.04%
Covered payroll	$ 17,536,759	$ 17,917,479	$ 16,691,551	$ 13,417,215
Board's net HIC OPEB liability as a percentage of covered payroll	0.10%	0.12%	0.09%	0.21%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
Years Ended June 30, 2017 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	$ 15,827	$ 15,827	$ -	$ 17,585,121	0.09%
2020	19,290	19,290	-	17,536,759	0.11%
2019	19,709	19,709	-	17,917,479	0.11%
2018	25,404	25,404	-	16,691,551	0.15%
2017	20,126	20,126	-	13,417,215	0.15%

Schedule is intended to show information for 10 years. Information prior to 2017 is not available. However, additional years will be included as they become available.

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 though 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:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability 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%

- Other Supplementary Information -

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Combining Statement of Net Position
As of June 30, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		Western Tidewater Community Services Board		Isle of Wight Opportunities for the Disabled		Jay's Place
Current Assets:						
Cash and cash equivalents	$	18,757,425	$	-	$	-
Accounts receivable, less allowance for uncollectibles		1,894,264		-		-
Total current assets	$	20,651,689	$	-	$	-
Restricted Assets:						
Cash and cash equivalents	$	324,916	$	12,811	$	24,707
Accounts receivable		-		3,369		7,344
Total restricted assets	$	324,916	$	16,180	$	32,051
Capital Assets:						
Land	$	2,173,216	$	35,192	$	5,000
Other capital assets, less accumulated depreciation		8,663,081		40,059		131,402
Total capital assets, net	$	10,836,297	$	75,251	$	136,402
Total assets	$	31,812,902	$	91,431	$	168,453
Deferred Outflows of Resources:						
Pension related items	$	2,342,297	$	-	$	-
OPEB related items		36,626		-		-
Total deferred outflows of resources	$	2,378,923	$	-	$	-
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION						
Current Liabilities:						
Accounts payable and accrued expenses	$	1,569,248	$	-	$	-
Compensated absences		1,194,857		-		-
Amounts held for others - regional funds		5,258,348		-		-
Long-term debt, current portion		572,312		-		-
Total current liabilities	$	8,594,765	$	-	$	-
Liabilities Payable from Restricted Assets:						
Accounts payable and accrued expenses	$	-	$	25,585	$	6,587
Long-term debt, current portion		-		13,320		-
Security deposits		-		2,053		81
Total liabilities payable from restricted assets	$	-	$	40,958	$	6,668
Long-Term Liabilities:						
Net OPEB liability	$	18,285	$	-	$	-
Net pension liability		519,703		-		-
Long-term debt, less current portion		728,726		230,433		-
Total long-term liabilities	$	1,266,714	$	230,433	$	-
Total liabilities	$	9,861,479	$	271,391	$	6,668
Deferred Inflows of Resources:						
Pension related items	$	298,423	$	-	$	-
OPEB related items		25,874		-		-
Total deferred inflows of resources	$	324,297	$	-	$	-
Net Position:						
Net investment in capital assets	$	9,535,259	$	(168,502)	$	136,402
Restricted		324,916		-		25,383
Unrestricted		14,145,874		(11,458)		-
Total net position	$	24,006,049	$	(179,960)	$	161,785

The Wilkins of Suffolk	Reggie's Place	Barrett House	Gabriel's Place	Inter-Company Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ 18,757,425
-	-	-	-	-	1,894,264
$ -	$ -	$ -	$ -	$ -	$ 20,651,689
$ 40,433	$ 13,304	$ 12,819	$ 28,486	$ -	$ 457,476
-	5,479	1,060	6,136	-	23,388
$ 40,433	$ 18,783	$ 13,879	$ 34,622	$ -	$ 480,864
$ 5,000	$ 5,000	$ 14,000	$ 51,300	$ -	$ 2,288,708
123,912	172,181	155,940	377,849	-	9,664,424
$ 128,912	$ 177,181	$ 169,940	$ 429,149	$ -	$ 11,953,132
$ 169,345	$ 195,964	$ 183,819	$ 463,771	$ -	$ 33,085,685
$ -	$ -	$ -	$ -	$ -	$ 2,342,297
-	-	-	-	-	36,626
$ -	$ -	$ -	$ -	$ -	$ 2,378,923
$ -	$ -	$ -	$ -	$ -	$ 1,569,248
-	-	-	-	-	1,194,857
-	-	-	-	-	5,258,348
-	-	-	-	-	572,312
$ -	$ -	$ -	$ -	$ -	$ 8,594,765
$ -	$ 17,127	$ -	$ -	$ -	$ 49,299
-	-	-	-	-	13,320
643	895	289	1,042	-	5,003
$ 643	$ 18,022	$ 289	$ 1,042	$ -	$ 67,622
$ -	$ -	$ -	$ -	$ -	$ 18,285
-	-	-	-	-	519,703
-	-	-	-	-	959,159
$ -	$ -	$ -	$ -	$ -	$ 1,497,147
$ 643	$ 18,022	$ 289	$ 1,042	$ -	$ 10,159,534
$ -	$ -	$ -	$ -	$ -	$ 298,423
-	-	-	-	-	25,874
$ -	$ -	$ -	$ -	$ -	$ 324,297
$ 128,912	$ 177,181	$ 169,940	$ 429,149	$ -	$ 10,408,341
39,790	761	13,590	33,580	-	438,020
-	-	-	-	-	14,134,416
$ 168,702	$ 177,942	$ 183,530	$ 462,729	$ -	$ 24,980,777

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

	Western Tidewater Community Services Board	Isle of Wight Opportunities for the Disabled	Jay's Place
Operating revenue:			
Net patient service revenue	$ 21,413,768	$ -	$ -
Operating expenses:			
Salaries and benefits	$ 26,638,058	$ -	$ -
Staff development	83,752	-	-
Facility	1,584,166	38,142	26,214
Supplies	1,795,297	-	-
Travel	242,787	-	-
Contractual and consulting	3,027,851	-	-
Depreciation	575,937	17,415	10,159
Other	2,719,243	-	-
Total operating expenses	$ 36,667,091	$ 55,557	$ 36,373
Operating income (loss)	$ (15,253,323)	$ (55,557)	$ (36,373)
Nonoperating income (expenses):			
Appropriations:			
Commonwealth of Virginia	$ 17,342,101	$ -	$ -
Federal government	2,268,809	-	-
Local governments	738,007	-	-
Rentals	16,461	88,898	38,244
Interest income	1,359	1	3
Other	234,586	-	-
Loss on disposition of capital assets	-	(1,029)	-
Interest expense	(65,269)	(20,892)	-
Net nonoperating income (expenses)	$ 20,536,054	$ 66,978	$ 38,247
Change in net position	$ 5,282,731	$ 11,421	$ 1,874
Net position, beginning of year	18,723,318	(191,381)	159,911
Net position, end of year	$ 24,006,049	$ (179,960)	$ 161,785

The Wilkins of Suffolk	Reggie's Place	Barrett House	Gabriel's Place	Inter-Company Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ 21,413,768
$ -	$ -	$ -	$ -	$ -	$ 26,638,058
-	-	-	-	-	83,752
29,385	23,719	29,814	23,215	-	1,754,655
-	-	-	-	-	1,795,297
-	-	-	-	-	242,787
-	-	-	-	-	3,027,851
7,534	11,712	9,349	15,972	-	648,078
-	-	-	-	-	2,719,243
$ 36,919	$ 35,431	$ 39,163	$ 39,187	$ -	$ 36,909,721
$ (36,919)	$ (35,431)	$ (39,163)	$ (39,187)	$ -	$ (15,495,953)
$ -	$ -	$ -	$ -	$ -	$ 17,342,101
-	-	-	-	-	2,268,809
-	-	-	-	-	738,007
40,676	26,764	35,520	36,960	-	283,523
4	2	1	3	-	1,373
-	-	-	-	-	234,586
(153)	-	-	-	-	(1,182)
-	-	-	-	-	(86,161)
$ 40,527	$ 26,766	$ 35,521	$ 36,963	$ -	$ 20,781,056
$ 3,608	$ (8,665)	$ (3,642)	$ (2,224)	$ -	$ 5,285,103
165,094	186,607	187,172	464,953	-	19,695,674
$ 168,702	$ 177,942	$ 183,530	$ 462,729	$ -	$ 24,980,777

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Combining Statement of Cash Flows
Year Ended June 30, 2021

	Western Tidewater Community Services Board	Isle of Wight Opportunities for the Disabled	Jay's Place
Cash flows from operating activities:			
Receipts from customers	$ 21,695,702	$ -	$ -
Payments to suppliers	(6,740,551)	(43,956)	(34,214)
Payments to and for employees	(26,118,731)	-	-
Net cash provided by (used for) operating activities	$ (11,163,580)	$ (43,956)	$ (34,214)
Cash flows noncapital financing activities:			
Government grants	$ 20,348,917	$ -	$ -
Other	251,047	89,362	47,406
Net cash flows provided by (used for) noncapital financing activities	$ 20,599,964	$ 89,362	$ 47,406
Cash flows from capital and related financing activities:			
Acquisition of capital assets	$ (127,050)	$ (10,951)	$ (2,681)
Interest on long-term debt	(65,269)	(20,892)	-
Principal payments on mortgages payable	(208,279)	(12,253)	-
Net cash provided by (used for) capital and related financing activities	$ (400,598)	$ (44,096)	$ (2,681)
Cash flows from investing activities:			
Interest income	$ 1,359	$ 1	$ 3
Net increase (decrease) in cash and cash equivalents	$ 9,037,145	$ 1,311	$ 10,514
Cash and cash equivalents, beginning of year, including restricted cash	10,045,196	11,500	14,193
Cash and cash equivalents, end of year, including restricted cash	$ 19,082,341	$ 12,811	$ 24,707
Reconciliation to combining statement of net position:			
Cash and cash equivalents	$ 18,757,425	$ -	$ -
Cash and cash equivalents - restricted	324,916	12,811	24,707
Total cash and cash equivalents, end of year	$ 19,082,341	$ 12,811	$ 24,707
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ (15,253,323)	$ (55,557)	$ (36,373)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:			
Depreciation	575,937	17,415	10,159
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Accounts receivable	281,934	-	-
Deferred outflows of resources - pension related items	(924,561)	-	-
Deferred outflows of resources - OPEB related items	(7,946)	-	-
Accounts payable and accrued expenses	325,244	(5,814)	(8,000)
Compensated absences	169,018	-	-
Amounts held for others - regional funds	2,644,996	-	-
Client and consumer funds	(257,695)	-	-
Net pension asset	1,151,148	-	-
Net pension liability	519,703	-	-
Net OPEB liability	(2,991)	-	-
Deferred inflows of resources - pension related items	(393,513)	-	-
Deferred inflows of resources - OPEB related items	8,469	-	-
Net cash provided by (used for) operating activities	$ (11,163,580)	$ (43,956)	$ (34,214)

The Wilkins of Suffolk	Reggie's Place	Barrett House	Gabriel's Place	Inter-Company Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ 21,695,702
(30,335)	(27,848)	(29,814)	(23,215)	-	(6,929,933)
-	-	-	-	-	(26,118,731)
$ (30,335)	$ (27,848)	$ (29,814)	$ (23,215)	$ -	$ (11,352,962)
$ -	$ -	$ -	$ -	$ -	$ 20,348,917
41,135	31,123	35,524	34,955	-	530,552
$ 41,135	$ 31,123	$ 35,524	$ 34,955	$ -	$ 20,879,469
$ (889)	$ (872)	$ -	$ (1,508)	$ -	$ (143,951)
-	-	-	-	-	(86,161)
-	-	-	-	-	(220,532)
$ (889)	$ (872)	$ -	$ (1,508)	$ -	$ (450,644)
$ 4	$ 2	$ 1	$ 3	$ -	$ 1,373
$ 9,915	$ 2,405	$ 5,711	$ 10,235	$ -	$ 9,077,236
30,518	10,899	7,108	18,251	-	10,137,665
$ 40,433	$ 13,304	$ 12,819	$ 28,486	$ -	$ 19,214,901
$ -	$ -	$ -	$ -	$ -	$ 18,757,425
40,433	13,304	12,819	28,486	-	457,476
$ 40,433	$ 13,304	$ 12,819	$ 28,486	$ -	$ 19,214,901
$ (36,919)	$ (35,431)	$ (39,163)	$ (39,187)	$ -	$ (15,495,953)
7,534	11,712	9,349	15,972	-	648,078
-	-	-	-	-	281,934
-	-	-	-	-	(924,561)
-	-	-	-	-	(7,946)
(950)	(4,129)	-	-	-	306,351
-	-	-	-	-	169,018
-	-	-	-	-	2,644,996
-	-	-	-	-	(257,695)
-	-	-	-	-	1,151,148
-	-	-	-	-	519,703
-	-	-	-	-	(2,991)
-	-	-	-	-	(393,513)
-	-	-	-	-	8,469
$ (30,335)	$ (27,848)	$ (29,814)	$ (23,215)	$ -	$ (11,352,962)

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- Compliance -

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

To the Board of Directors
Western Tidewater Community Services Board
Suffolk, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the aggregate remaining fund information of Western Tidewater Community Services Board, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Western Tidewater Community Services Board's basic financial statements and have issued our report thereon dated November 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Tidewater Community Services Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Tidewater Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Tidewater 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 Western Tidewater 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 on the effect 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 Western Tidewater Community Services Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Tidewater Community Services Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
November 30, 2021

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | Consultants

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

To the Board of Directors
Western Tidewater Community Services Board
Suffolk, Virginia

Report on Compliance for Each Major Federal Program

We have audited Western Tidewater 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 Western Tidewater Community Services Board's major federal programs for the year ended June 30, 2021. Western Tidewater 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.

Western Tidewater Community Services Board's basic financial statements include the operations of the component unit organizations Isle of Wight Opportunities for the Disabled, Jay's Place, The Wilkins of Suffolk, Reggie's Place, Barrett House and Gabriel's Place, which expended $1,779,475 in federal awards which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2021. Our audit, described below, did not include the operations of the above component units because each of the component units issues separate financial statements, and audits in compliance with the Uniform Guidance are performed at the component unit level, where applicable.

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 Western Tidewater 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 Western Tidewater 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 Western Tidewater Community Services Board's compliance.

Opinion on Each Major Federal Program

In our opinion, Western Tidewater 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 Western Tidewater 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 Western Tidewater 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 Western Tidewater 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.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
November 30, 2021

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identification Number		Federal Expenditures
Department of Veterans Affairs				
Direct Payments:				
Vocational and Educational Counseling for Service Members and Veterans	64.125	Not applicable	$	113,870
Department of Justice				
Pass-Through Payments:				
Virginia Department of Criminal Justice Services				
Juvenile Justice and Delinquency Prevention	16.540	18-B3405JJ13	$	2,497
Department of Treasury				
Pass-Through Payments:				
Virginia Department of Behavioral Health and Developmental Services:				
COVID-19 - Coronavirus Relief Fund	21.019	Not available	$	42,505
Department of Health and Human Services				
Pass-Through Payments:				
Virginia Department of Behavioral Health and Disability Services				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	2B08TI010053	$	189,611
COVID-19 - Provider Relief Fund	93.498	Not available		6,956
COVID-19 - Emergency Grants to Address Mental and Substance Use Disorders during COVID-19	93.665	Not available		112,680
Opioid STR	93.788	5H79TI080220		357,500
Block Grants for Community Mental Health Services	93.958	2B09SM010053		471,887
Block Grants for Prevention and Treatment of Substance Abuse	93.959	6H79SM062897-02		566,312
Total Department of Health and Human Services			$	1,704,946
Total expenditures of federal awards			$	1,863,818

Reconciliation of Schedule of Expenditures of Federal Awards to financial statements:		
Total Expenditures of Federal Awards - per Schedule of Expenditures of Federal Awards	$	1,863,818
Add: Provider Relief Fund received during the year ended June 30, 2021 to be reported on future year's Schedule of Expenditures of Federal Awards		411,947
Less: Provider Relief Fund received during the year ended June 30, 2020		(6,956)
Total federal revenues - per Statement of Revenues, Expenses and Changes in Net Position	$	2,268,809

Notes to the Schedule of Expenditure of Federal Awards

Note A - Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant award of Western Tidewater 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 Western Tidewater Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of Western Tidewater Community Services Board.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - De Minimis Cost Rate

The Board did not elect to use the 10-percent de minimis indirect cost rate under Uniform Guidance.

Note E - Loan Balances

The Board has no loan guarantees which are subject to reporting requirements for the current year.

Note F - Provider Relief Funds

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 $6,956 of 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.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

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 Listing #	Name of Federal Program or Cluster
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

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Schedule of Prior Audit Findings
Year Ended June 30, 2021

There were no items reported.

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