

**RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD
FREDERICKSBURG, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD
Fredericksburg, Virginia

FINANCIAL REPORT - YEAR ENDED JUNE 30, 2021

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Fredericksburg, Virginia

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RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Board of Directors

Kheia D. Hilton, Chair

Melissa White

Kenneth Lapin

Linda Carter

Nancy Beebe

Lawrence A. Davies

Linda Ball

Matthew Zurasky

Susan Gayle

Gregory J. Sokolowski

Principal Management Team

Jane Yaun

Executive Director

Tina Cleveland

Finance and Administration Director

Jacque Kobuchi

Clinical Services Director

Joe Wickens

Community Support Services Director

Michelle Runyon

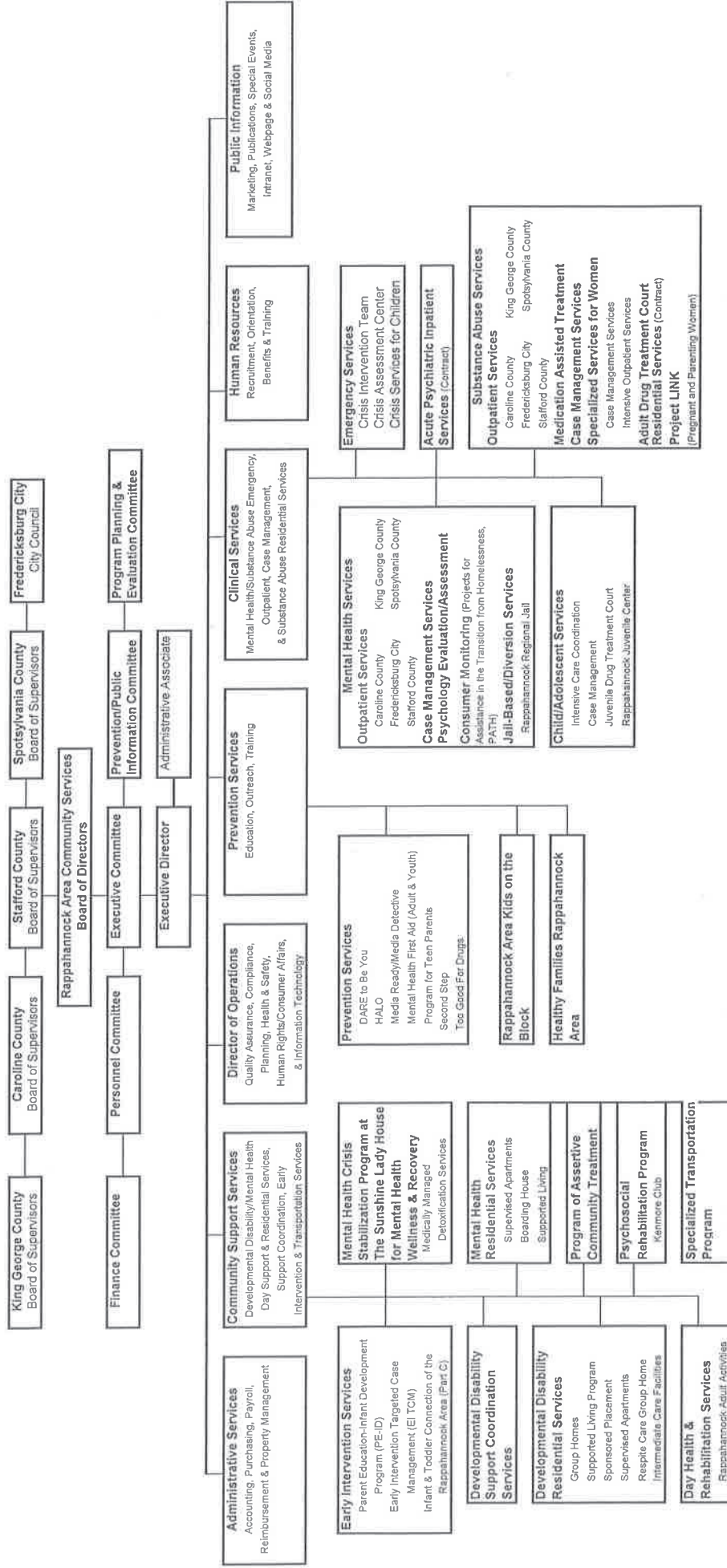
Human Resources Director

Brandie Williams

Director of Operations

Rappahannock Area Community Services Board

Table of Organization





ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rappahannock Area Community Services Board
Fredericksburg, 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 Rappahannock Area Community Services Board, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Rappahannock Area 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 respective financial position of the business-type activities and the aggregate remaining fund information of Rappahannock Area Community Services Board, as of June 30, 2021, and the respective 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 17 to the financial statements, in 2021, the Rappahannock Area Community Services Board adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to the 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 56-71 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 Rappahannock Area 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 the Rappahannock Area Community Services Board's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 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 June 14, 2022, on our consideration of Rappahannock Area 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 Rappahannock Area 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 Rappahannock Area Community Services Board's internal control over financial reporting and compliance.



Charlottesville, Virginia
June 14, 2022

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RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Management's Discussion and Analysis Year Ended June 30, 2021

The following Management's Discussion and Analysis (MD&A) of the Rappahannock Area Community Services Board's (RACSB) financial performance provides the reader with an introduction and overview to the financial statements of the RACSB for the fiscal year ended June 30, 2021.

Following this MD&A are the basic financial statements of the RACSB together with the notes thereto which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, there is certain information regarding the schedule of expenditures of federal awards. Please read this information in conjunction with the RACSB's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Rappahannock Area Community Services Board presents five basic financial statements for the purpose of analyzing the financial position of the RACSB as of June 30, 2021. These are: (1) a Statement of Net Position; (2) a Statement of Revenues, Expenses and Changes in Net Position; (3) a Statement of Cash Flows; (4) Statement of Fiduciary Net Position; and (5) Statement of Changes in Fiduciary Net Position.

RACSB'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. This information is reported on the statement of net position, which reflects RACSB's assets and deferred outflows in relation to its debts to its suppliers, employees and other creditors, and deferred inflows. The excess of assets and deferred outflows over liabilities and deferred inflows is the net position.

Information regarding the results of RACSB's operations during fiscal year 2021 is reported in the Statement of Revenues, Expenses and Changes in Net Position. This statement shows how much overall net position increased or decreased during the year as a result of operations.

The Statement of Cash Flows discloses the flow of cash resources into and out of RACSB during fiscal year 2020 (from operations, contributions and other sources) and how those funds were applied (for example: payment of expenses, repayment of debt, purchase of new property, etc.).

Component unit organizations Rappahannock Community Services, Inc., Churchill Drive Group Home, Devon Drive Group Home, Galveston Road Group Home, Igo Road Group Home, Leeland Road Group Home, New Hope Estates Group Home, Piedmont Drive Group Home, Scottsdale Estates Group Home and Stonewall Estates Group Home are included as a part of the financial reporting entity of RACSB.

Financial Summary

Financial Position: A summary of RACSB's Statement of Net Position for fiscal years 2021 and 2020 is presented below.

Condensed Statement of Net Position		
	2021	2020
Current assets	\$ 21,803,146	\$ 20,582,680
Restricted assets	375,062	544,873
Capital assets	27,017,131	28,565,609
Other assets	3,425,907	5,413,829
Total assets	\$ 52,621,246	\$ 55,106,991
Deferred outflows of resources	\$ 3,594,689	\$ 2,327,643
Total assets and deferred outflows of resources	\$ 56,215,935	\$ 57,434,634
Current liabilities	\$ 5,926,650	\$ 5,338,989
Liabilities payable from restricted assets	108,423	257,947
Long-term liabilities	1,837,147	1,790,595
Total liabilities	\$ 7,872,220	\$ 7,387,531
Deferred inflows of resources	\$ 960,257	\$ 740,843
Net Position:		
Net Investment in capital assets	\$ 26,927,910	\$ 28,472,688
Restricted	5,874,512	2,202,564
Unrestricted	14,581,036	18,631,008
Total net position	\$ 47,383,458	\$ 49,306,260
Total liabilities, deferred inflows of resources and net position	\$ 56,215,935	\$ 57,434,634

The financial position of the Rappahannock Area Community Services Board remains strong. This is evidenced by strong liquidity. The current ratio (current assets /current liabilities) of the RACSB was 3.68 as of June 30, 2021 and 3.86 at June 30, 2020. The liquidity remains strong as a current ratio of 2:1 is considered favorable.

Change in net position: A summary of the RACSB's Statement of Revenues, Expenses and Changes in Net Position for 2021 and 2020 is presented below.

Condensed Statement of Revenues, Expenses and Changes in Net Position		
	2021	2020
Operating revenue	\$ 24,769,749	\$ 27,228,315
Operating expenses	44,585,734	42,900,281
Operating income (loss)	\$ (19,815,985)	\$ (15,671,966)
Net non-operating income	17,893,183	16,987,349
Change in net position	\$ (1,922,802)	\$ 1,315,383

Financial Summary (continued)

Operating Revenue is the amount of revenue received from providing patient services. The vast majority of those funds, approximately 86% (2021) and 87% (2020), were received from Medicaid (see Note 13). During 2021, Operating Revenue decreased 9.03% as compared to an increase of 7.83% in 2020.

Operating Expenses are comprised of the direct and indirect costs of operating the RACSB. These include salaries and benefits, occupancy, payments to contracting agencies, depreciation, etc. Please see the full Statement of Revenues, Expenses and Changes in Net Position for a complete breakdown of these expenses for 2021 and 2020. During 2021, Operating Expenses increased approximately 3.93%, compared to an increase of 8.33% in 2020.

Nonoperating Income is comprised of income received as appropriations or grants as well as other income. Appropriations and grants from the State of Virginia constitute 57.06% for 2021, and 54.81% for 2020 of the net non-operating income while grants from the federal government constitute 16.91% for 2021 and 21.65% for 2020. Appropriations from local governments constituted 7.56% for 2021 and 7.98% for 2020. The remaining net Nonoperating Income and Capital Contributions consist of Other Income, Interest Income and Expense, and Gains (Losses) on the Disposition of Capital Assets. Net Nonoperating Income revenue increased 5.33% in 2021.

Net Position decreased \$1,922,802 in 2021 and increased \$1,315,383 in 2020.

Cash flows: A summary of the RACSB's Statement of Cash Flows for 2021 and 2020 is presented below.

Condensed Statement of Cash Flows

	2021	2020
Cash flows from operating activities	\$ (16,045,966)	\$ (13,232,982)
Cash flows from non capital financing activities	18,221,600	16,810,662
Cash flows from capital and related financing activities	(151,278)	(6,141,110)
Cash flows from investing activities	59,129	326,452
Net increase (decrease) in cash and cash equivalents	\$ 2,083,485	\$ (2,236,978)
Cash and cash equivalents, beginning of year	16,500,955	18,737,933
Cash and cash equivalents, end of year	\$ 18,584,440	\$ 16,500,955

Cash flows from 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). Of these adjustments the significant entries are \$1,693,268 (2021), and \$1,707,957 (2020) in depreciation.

Cash flows from noncapital financing transactions are comprised of income received as appropriations or grants (please see Statement of Revenues, Expenses and Changes in Net Position discussion above). Cash flows from capital and related financing activities are comprised of the acquisition of capital assets by the RACSB, and principal and interest payments on mortgages and loans payable (please see Note 4 for a breakdown of Capital Assets). Cash flows from investing activities are comprised of interest income.

There was a net decrease of \$2,083,485 in 2021, and a net decrease of \$2,236,978 in 2020 in cash and cash equivalents.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2021, the Rappahannock Area Community Services Board had \$27,017,131 in Net Capital Assets. This is comprised of \$43,610,953 in capital assets less \$16,593,822 in accumulated depreciation (please see Note 4). Of the total capital assets, equipment and vehicles (including information technology assets and vehicles) constitutes 18%, land constitutes 8%, and buildings and improvements constitute 65%. Construction in progress constitutes the remaining 9% and consists of renovation projects.

Summary

The Statement of Net Position shows that, on June 30, 2021, the RACSB had approximately 3.7 times more current assets than current liabilities. In addition, RACSB had \$47,543,982 in total net position.

The Statement of Revenues, Expenses and Changes in Net Position shows the net position of the RACSB decreased \$1,922,802 during 2021.

The Statement of Cash Flows shows that cash increased \$2,083,485 in 2021.

The financial position of the Rappahannock Area Community Services Board measured, in terms of the five basic financial statements presented as of June 30, 2021, is very strong and secure.

- Basic Financial Statements -

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Statement of Net Position

At June 30, 2021

(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 18,229,874	\$ 16,188,842
Accounts receivable, less allowance for uncollectibles	3,455,232	4,163,197
Grants and other receivables	94,434	197,331
Prepaid items	23,606	33,310
Total current assets	\$ 21,803,146	\$ 20,582,680
Restricted Assets:		
Cash and cash equivalents	\$ 354,566	\$ 312,113
Grants and other receivables	7,605	19,437
Prepaid items	12,891	13,160
Client funds	-	200,163
Total restricted assets	\$ 375,062	\$ 544,873
Capital Assets:		
Property and equipment, less accumulated depreciation	\$ 27,017,131	\$ 28,565,609
Other Assets:		
Net pension asset	\$ 2,280,788	\$ 5,224,872
Net OPEB assets	1,145,119	188,957
Total other assets	\$ 3,425,907	\$ 5,413,829
Total assets	\$ 52,621,246	\$ 55,106,991
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 2,862,535	\$ 1,559,020
OPEB related items	732,154	768,623
Total deferred outflows of resources	\$ 3,594,689	\$ 2,327,643
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,341,042	\$ 2,148,841
Compensated absences	1,353,624	1,026,500
Accrued health insurance liabilities	48,256	246,249
Unexpended grant funds and other unearned revenue	2,183,728	1,917,399
Total current liabilities	\$ 5,926,650	\$ 5,338,989
Liabilities Payable from Restricted Assets:		
Client funds	\$ -	\$ 200,163
Accounts payable and accrued expenses	86,938	37,003
Tenant security deposits	21,485	20,781
Total liabilities payable from restricted assets	\$ 108,423	\$ 257,947
Long-term Liabilities:		
Net OPEB liabilities	\$ 1,837,147	\$ 1,790,595
Total long-term liabilities	\$ 1,837,147	\$ 1,790,595
Total liabilities	\$ 7,872,220	\$ 7,387,531
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$ -	\$ 395,364
OPEB related items	960,257	345,479
Total deferred inflows of resources	\$ 960,257	\$ 740,843
NET POSITION		
Net investment in capital assets	\$ 26,927,910	\$ 28,472,688
Restricted	5,874,512	2,202,564
Unrestricted	14,581,036	18,631,008
Total net position	\$ 47,383,458	\$ 49,306,260

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

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

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

	<u>2021</u>	<u>2020</u>
Operating revenue:		
Net patient service revenue	\$ 24,769,749	\$ 27,228,315
Operating expenses:		
Salaries and benefits	\$ 32,316,387	\$ 30,778,448
Staff development	70,580	200,280
Facilities	1,862,705	1,747,848
Supplies	2,083,498	1,465,453
Travel	252,660	614,327
Contractual and consulting	5,647,073	5,181,329
Depreciation	1,693,268	1,707,957
Other	659,563	1,204,639
Total operating expenses	\$ 44,585,734	\$ 42,900,281
Operating income (loss)	\$ (19,815,985)	\$ (15,671,966)
Nonoperating income (expense):		
Capital contributions:		
Commonwealth of Virginia	\$ 10,209,177	\$ 9,294,922
Federal government	3,025,542	3,671,065
Local governments	1,353,560	1,353,560
Other	3,248,563	2,354,647
Interest income	59,129	326,452
Interest expense	(2,788)	(2,895)
Gain (loss) on disposition of capital assets	-	(10,402)
Net nonoperating income (expense)	\$ 17,893,183	\$ 16,987,349
Change in net position	\$ (1,922,802)	\$ 1,315,383
Net position, beginning of year	49,306,260	47,990,877
Net position, end of year	\$ 47,383,458	\$ 49,306,260

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

RAPPAHANNOCK AREA 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	\$ 25,477,714	\$ 27,139,921
Payments to suppliers	(10,252,686)	(9,696,766)
Payments to and for employees	(31,270,994)	(30,676,137)
Net cash flow provided by (used for) operating activities	\$ (16,045,966)	\$ (13,232,982)
Cash flows from noncapital financing activities:		
Government grants	\$ 14,961,205	\$ 14,438,451
Other	3,260,395	2,372,211
Net cash flow provided by (used for) noncapital financing activities	\$ 18,221,600	\$ 16,810,662
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$ (150,626)	\$ (6,134,922)
Proceeds from sale of capital assets	5,836	299
Principal payments on mortgages and loans payable	(3,700)	(3,592)
Interest expense	(2,788)	(2,895)
Net cash flow provided by (used for) capital and related financing activities	\$ (151,278)	\$ (6,141,110)
Cash flows from investing activities:		
Interest income	\$ 59,129	\$ 326,452
Net increase (decrease) in cash and cash equivalents	\$ 2,083,485	\$ (2,236,978)
Cash and cash equivalents, beginning of year (including restricted cash of \$312,113)	16,500,955	18,737,933
Cash and cash equivalents, end of year (including restricted cash of \$354,565)	\$ 18,584,440	\$ 16,500,955
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (19,815,985)	\$ (15,671,966)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,693,268	1,707,957
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	707,965	(88,394)
Prepaid items	9,973	82,689
Net pension asset	2,944,084	1,773,421
Net OPEB assets	(956,162)	(76,294)
Deferred outflows of resources	(1,267,046)	(1,366,657)
Accounts payable and accrued expenses	44,143	526,551
Compensated absences	327,124	150,232
Net OPEB liabilities	46,552	173,595
Deferred inflows of resources	219,414	(447,028)
Other	704	2,912
Net cash provided by (used for) operating activities	\$ (16,045,966)	\$ (13,232,982)

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

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Statement of Fiduciary Net Position
Fiduciary Funds
At June 30, 2021

	Private-Purpose Trust Funds	Trust Funds
ASSETS		
Cash and cash equivalents	\$ 368,338	\$ -
Investments designated for postemployment benefits other than pensions:		
VACO/VML Pooled OPEB Trust Portfolio I	-	3,661,365
Total assets	\$ 368,338	\$ 3,661,365
NET POSITION		
Restricted:		
Client funds	\$ 368,338	\$ -
Net position restricted for postemployment benefits other than pensions	-	3,661,365
Total net position	\$ 368,338	\$ 3,661,365

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

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021**

	<u>Private-Purpose Trust Funds</u>	<u>Trust Funds</u>
ADDITIONS		
Contributions:		
Employer	\$ -	\$ 191,597
Social security income	502,115	-
Other income	156,429	-
Investment Income:		
From investment activities:		
Net increase (decrease) in fair value of investments	\$ -	\$ 812,266
Total investment earnings	\$ -	\$ 812,266
Total additions	\$ 658,544	\$ 1,003,863
DEDUCTIONS		
Retirement and disability benefits	\$ -	\$ 54,172
Administrative expenses	-	3,538
Food and housing	326,604	-
Client's personal use of funds	163,765	-
Total deductions	\$ 490,369	\$ 57,710
Net increase (decrease) in fiduciary net position	\$ 168,175	\$ 946,153
Net position, beginning of the year, as restated	200,163	2,715,212
Net position, ending of the year	\$ 368,338	\$ 3,661,365

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

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Organization:

The Board operates as an agent for the Counties of Stafford, King George, Caroline, Spotsylvania and the City of Fredericksburg in the establishment and operation of community mental health, intellectual disabilities and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia (1950), relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the Board provides a system of community mental health, intellectual disabilities and substance abuse services which relate to and are integrated with existing and planned programs. The Board's activities also include Healthy Families, Kids on the Block and Rappahannock Adult Activities. The Board was established in 1970.

B. Financial Reporting Entity:

For financial reporting purposes the Board includes all organizations for which it is considered financially accountable.

Blended Component Units:

Blended component units, although legally separate entities are, in substance, part of the Organization's operations, and so data from these units are combined with data of the Organization. The Organization has the following blended component units: Rappahannock Community Services, Inc., Churchill Drive Group Home, Devon Drive Group Home, Galveston Road Group Home, Igo Road Group Home, Leeland Road Group Home, New Hope Estates Group Home, Piedmont Drive Group Home, Scottsdale Estates Group Home, and Stonewall Estates Group Home. All of these organizations has been included as part of the reporting entity. These entities are not-for-profit organizations exempt under Section 501(c)(3) of the Internal Revenue Code and were organized to own and operate facilities for handicapped individuals. Rappahannock Community Services has a June 30 fiscal year. All of the other organizations have fiscal years which end on December 31. As of June 30, 2021, Rappahannock Community Services, Inc. has an outstanding loan balance payable to Rappahannock Area Community Services Board in the amount of \$89,221.

C. 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 has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset and net OPEB assets and liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset and net OPEB asset and liabilities measurement date. 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 asset and net OPEB assets and liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

D. 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 incurred, regardless of when the related cash flow takes place.

E. Financial Statement Presentation:

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

F. Enterprise Fund Accounting:

Rappahannock Area 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. Substantially all revenues and expenses are subject to accrual.

G. 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. Accordingly, actual results could differ from those estimates.

H. 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 at the date of acquisition. The Board considers all certificates of deposit to be cash and cash equivalents. The certificates of deposit have maturity dates of more than three months at the date of acquisition; however, the certificates may be redeemed without interest penalty at any time, and thus are considered to be cash and cash equivalents.

I. 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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

J. 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.

K. 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.

L. Rental Income:

Rental income is recognized on a monthly basis pursuant to lease agreements, which generally have terms of one year or less. Rental revenue is reported in other nonoperating income.

M. Capital Assets:

Capital assets acquired that cost \$5,000 or more are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Donated capital assets are recorded at their acquisition value at the time of the gift. The range of estimated useful lives for depreciation of capital assets is as follows:

Buildings and improvements	10 to 40 years
Furniture and equipment	3 to 10 years
Equipment and vehicles	4 years

N. Restricted Assets:

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

O. Compensated Absences:

Employees are entitled to certain compensated absences based upon length of employment. Sick leave does not vest with the employee and is recorded as an expense when paid. Vacation pay does vest with the employee and is accrued when earned. Provision for the estimated liability for these compensated absences has been recorded in the financial statements. Because the timing of the use of the benefit cannot be reasonably estimated, all of the liability has been classified as current.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

P. 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 at the start of the fiscal year, and mid-year through the fiscal year. The final report is generally 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.

Q. Fiscal Agent:

The City of Fredericksburg is the fiscal agent for the Rappahannock Area Community Services Board.

R. Comparative Totals:

Amounts for the prior year are presented for comparative and informational purposes only.

S. 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.

T. Net Position:

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

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

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

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. Pensions:

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

W. 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 GLI, HIC and VLDP OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary 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.

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.

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), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2021 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk (Investments):

The Board's investment policy requires the minimizing of custodial credit risk for its investments.

Credit Risk of Debt Securities:

As described above, the Board's investment policy mirrors the state statutes relating to investments.

The Board's rated debt investments as of June 30, 2021 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Virginia Local Government Investment Pool	\$ 31,832

Concentration of Credit Risk:

The Board's investment policy regarding the concentration of credit risk requires the investment of funds to be diversified by limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities).

Interest Rate Risk:

The Board's investment policy for interest rate risk requires that securities mature to meet cash requirements for on-going operations and investing primarily in short-term securities, money market mutual funds, or similar investment pools. The following details the Board's investments at June 30, 2021.

Investment Type	Fair Value	Less Than One Year
Virginia Local Government Investment Pool	\$ 31,832	\$ 31,832

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools:

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 LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Cash and Cash Equivalents:

A summary of unrestricted cash and cash equivalents follows:

	<u>2021</u>	<u>2020</u>
Unrestricted:		
Cash on hand and petty cash	\$ 535	\$ 535
Cash in banks	18,197,507	16,156,524
Investments	<u>31,832</u>	<u>31,783</u>
Total	<u>\$ 18,229,874</u>	<u>\$ 16,188,842</u>

The Board serves as the agent for the receipt and disbursement of certain client funds. These amounts are reported as restricted assets on the Statement of Net Position.

NOTE 3 - ACCOUNTS RECEIVABLE:

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

	<u>2021</u>	<u>2020</u>
Client fees:		
Virginia Department of Medical Assistance Services (Medicaid)	\$ 2,119,498	\$ 2,490,936
Direct client and third party	1,876,648	1,701,344
Other	<u>2,008,742</u>	<u>2,943,795</u>
Total	\$ 6,004,888	\$ 7,136,075
Less: Allowances for uncollectibles	<u>2,549,656</u>	<u>2,972,878</u>
Net client fees receivable	<u>\$ 3,455,232</u>	<u>\$ 4,163,197</u>
Grants and other:		
Other	\$ 102,039	\$ 216,768
Total grants and other receivables	<u>\$ 102,039</u>	<u>\$ 216,768</u>
Total receivables	<u>\$ 3,557,271</u>	<u>\$ 4,379,965</u>

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

NOTE 4 - CAPITAL ASSETS:

Capital assets (including component units) consist of the following:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 3,377,168	\$ -	\$ -	\$ 3,377,168
Construction in progress	3,983,115	57,194	-	4,040,309
Total capital assets not being depreciated	\$ 7,360,283	\$ 57,194	\$ -	\$ 7,417,477
Capital assets being depreciated:				
Building and improvements	\$ 28,524,163	\$ 35,969	\$ -	\$ 28,560,132
Equipment and vehicles	7,761,279	57,463	185,398	7,633,344
Total capital assets being depreciated	\$ 36,285,442	\$ 93,432	\$ 185,398	\$ 36,193,476
Accumulated depreciation:				
Building and improvements	\$ 9,178,122	\$ 1,006,516	\$ -	\$ 10,184,638
Equipment and vehicles	5,901,994	686,752	179,562	6,409,184
Total accumulated depreciation	\$ 15,080,116	\$ 1,693,268	\$ 179,562	\$ 16,593,822
Net capital assets being depreciated	\$ 21,205,326	\$ (1,599,836)	\$ 5,836	\$ 19,599,654
Net capital assets	\$ 28,565,609	\$ (1,542,642)	\$ 5,836	\$ 27,017,131

Total depreciation expense was \$1,693,268 for 2021 and \$1,707,957 for 2020.

NOTE 5 - LEASE COMMITMENTS:

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

Total rent expense for the years ended June 30, 2021 and 2020 totaled \$326,555 and \$342,690, respectively.

NOTE 6 - COMPENSATED ABSENCES:

The Board has accrued the liability arising from compensated absences. Board employees earn leave based on length of service. The Board has outstanding accrued leave pay totaling \$1,353,624 and \$1,026,500 at June 30, 2021 and 2020, respectively. All of the leave balance is reported as current because the long-term portion is not determinable.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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.
- 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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

NOTE 7 - PENSION PLAN: (CONTINUED)

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:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	137
Inactive members:	
Vested inactive members	112
Non-vested inactive members	278
Long-term disability (LTD)	1
Inactive members active elsewhere in VRS	<u>165</u>
Total inactive members	556
Active members	<u>419</u>
Total covered employees	<u><u>1,112</u></u>

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2021 (continued)

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 2.71% 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 \$371,014 and \$220,163 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Asset

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

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 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 pension liabilities.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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 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%

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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:

<u>Asset Class (Strategy)</u>	<u>Long-term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

* 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%.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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 Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 39,319,161	\$ 44,544,033	\$ (5,224,872)
Changes for the year:			
Service cost	\$ 1,575,288	\$ -	\$ 1,575,288
Interest	2,602,040	-	2,602,040
Differences between expected and actual experience	779,680	-	779,680
Contributions - employer	-	209,391	(209,391)
Contributions - employee	-	982,691	(982,691)
Net investment income	-	850,529	(850,529)
Benefit payments, including refunds of employee contributions	(1,540,842)	(1,540,842)	-
Administrative expenses	-	(28,672)	28,672
Other changes	-	(1,015)	1,015
Net changes	\$ 3,416,166	\$ 472,082	\$ 2,944,084
Balances at June 30, 2020	\$ 42,735,327	\$ 45,016,115	\$ (2,280,788)

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2021 (continued)

NOTE 7 - PENSION PLAN: (CONTINUED)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Board's			
Net Pension Liability (Asset)	\$ 3,865,289	\$ (2,280,788)	\$ (7,260,692)

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 \$1,605,447. 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	\$ 707,520	\$ -
Change of assumptions	431,402	-
Net difference between projected and actual earnings on pension plan investments	1,352,599	-
Employer contributions subsequent to the measurement date	371,014	-
Total	\$ 2,862,535	\$ -

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

NOTE 7 - PENSION PLAN: (CONTINUED)

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

\$371,014 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:

<u>Year ended June 30</u>	
2022	\$ 944,907
2023	666,801
2024	451,129
2025	428,684
2026	-
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 - LONG-TERM OBLIGATIONS:

Summary of Changes in Long-Term Obligations:

Long-term obligations consist of the following obligations:

	<u>Balance</u>
Net OPEB liability - Group life Insurance	\$ 1,797,670
Net OPEB liability - HIC	7,198
Net OPEB liability - VLDP	<u>32,279</u>
Total	<u>\$ 1,837,147</u>

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

NOTE 9 - DEFERRED COMPENSATION PLAN:

The Board provides a deferred compensation plan whereby eligible employees elect to defer a portion of their compensation until some later date. The amount deferred is placed in a contract on behalf of the participant where it is not subject to federal income tax until withdrawn. The Board does not contribute to this plan. The plan assets are not subject to claims of the Board's creditors.

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

Federal programs in which the Board participates were audited in accordance with the provisions of Uniform Guidance. Pursuant to the provisions of this guidance all major programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTE 11 - RISK MANAGEMENT:

The Board participates in the Commonwealth of Virginia Risk Management Pool for general, professional liability, and directors and officers liability coverage which have up to \$1,700,000 per occurrence of coverage limits. Other insurance coverage for property, workers compensation, crime, dishonesty and related coverage are purchased from a commercial insurance carrier. Coverage for these items varies from stated property values to \$1,000,000. There are no surety bonds for directors. The Board assumes risks related to co-insurance, policy deductibles and claims which exceed insurance coverage. There have been no settlements that have exceeded the insurance coverage in the last three years and there has been no reduction in the amount of insurance coverage from the prior year.

Employee Health Insurance:

The Board has a self-insurance plan for its employee health program. The program is administered by a private insurance carrier. Premium payments are based on the number of employees insured and benefits.

Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Incurred but not reported claims have been accrued based upon history and estimates from the insurance carrier. The change in the estimated claims liability for the last three fiscal years is summarized below.

The claims liability is reported in current liabilities as accrued health insurance liabilities.

Fiscal Year Ended	Estimated Claims Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Estimated Claims Liability End of Fiscal Year
June 30, 2021	\$ 246,249	\$ 3,881,625	\$ 4,079,618	\$ 48,256
June 30, 2020	150,927	3,852,019	3,756,697	246,249
June 30, 2019	654,126	2,453,641	2,956,840	150,927
June 30, 2018	1,566,229	2,493,229	3,405,332	654,126

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

NOTE 12 - CONTRIBUTIONS FROM LOCAL PARTICIPATING GOVERNMENTAL UNITS:

The participating local governmental units contributed funds for the Board's operations as follows:

	<u>2021</u>	<u>2020</u>
City of Fredericksburg	\$ 286,306	\$ 286,306
County of Spotsylvania	427,593	427,593
County of Stafford	411,082	411,082
County of Caroline	113,974	113,974
County of King George	114,605	114,605
Total	<u>\$ 1,353,560</u>	<u>\$ 1,353,560</u>

NOTE 13 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient service revenues for 2021 and 2020 were from the following sources:

	<u>2021</u>	<u>2020</u>
Medicaid	\$ 21,329,870	\$ 23,719,146
Direct client and third party	1,003,759	1,588,690
Other	2,436,120	1,920,479
Total	<u>\$ 24,769,749</u>	<u>\$ 27,228,315</u>

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 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 the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% 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, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$121,238 and \$115,280 for the years ended June 30, 2021 and June 30, 2020, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2021, the entity reported a liability of \$1,797,670 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .10770% as compared to .10592% at June 30, 2019.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2021 (continued)

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

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$99,526. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 115,304	\$ 16,146
Net difference between projected and actual earnings on GLI OPEB program investments	54,000	-
Change in assumptions	89,904	37,536
Changes in proportionate share	91,105	-
Employer contributions subsequent to the measurement date	121,238	-
Total	<u>\$ 471,551</u>	<u>\$ 53,682</u>

\$121,238 was reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI 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 GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 58,050
2023	73,300
2024	76,218
2025	67,031
2026	19,998
Thereafter	2,034

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI 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. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of program 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 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 Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)

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%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
GLI Net OPEB Liability	\$	<u>1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

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

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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)	Target Long-term 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%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI 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 contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI 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 GLI OPEB liability.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI 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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Board's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 2,363,176	\$ 1,797,670	\$ 1,338,427

GLI Plan Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position 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.

Virginia Local Disability Program (VLDP) (OPEB Plan):

Plan Description

Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia.

The specific information for the VLDP OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Political Subdivision VLDP was implemented January 1, 2014 to provide benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision VLDP.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Benefit Amounts

The VLDP provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The VLDP provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

VLDP Notes

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2021 was 0.83% of covered employee compensation for employees in the VRS Political Subdivision VDLP. 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 VRS Political Subdivision VDLP were \$107,097 and \$86,758 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the Board reported a liability of \$32,279 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2020 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2020. The Board's proportion of the Net VLDP OPEB Liability was based on the Board's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Board's proportion of the VLDP was 3.23365% as compared to 3.30700% at June 30, 2019.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2021 (continued)

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

Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB: (Continued)

For the year ended June 30, 2021, the Board recognized VLDP OPEB expense of \$91,826. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 26,151	\$ 37,893
Net difference between projected and actual earnings on VLDP OPEB plan investments	3,429	-
Change in assumptions	1,494	2,155
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,453
Employer contributions subsequent to the measurement date	<u>107,097</u>	<u>-</u>
Total	<u>\$ 138,171</u>	<u>\$ 44,501</u>

\$107,097 was reported as deferred outflows of resources related to the VLDP OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP 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 VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 1,934
2023	1,870
2024	2,002
2025	2,137
2026	(4,477)
Thereafter	(16,893)

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP 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%-5.95%
Investment rate of return	6.75%, net of program investment expenses, including inflation*

*Administrative expenses as a percent of the market 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 OPEB liabilities.

Mortality Rates - Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

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 year 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%

Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

	Political Subdivision VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	\$ 4,317
Plan Fiduciary Net Position	3,317
Political Subdivision net VLDP OPEB Liability (Asset)	\$ 1,000
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	76.84%

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

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS 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 VRS 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)	Target 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%.

Discount Rate

The discount rate used to measure the total VLDP OPEB 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 actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by the Board for the VLDP was 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, all agencies are assumed to

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Discount Rate (Continued)

continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB 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 VLDP OPEB liability.

Sensitivity of the Board's Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the net VLDP OPEB liability using the discount rate of 6.75%, as well as what the Board's proportionate share of the net VLDP 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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Board's proportionate share of the Net VLDP OPEB Liability	\$ 43,294	\$ 32,279	\$ 22,684

VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP's Fiduciary Net Position 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.

Health Insurance Credit (HIC) Plan (OPEB Plan):

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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

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.

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:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>38</u>
Total inactive members	38
Active members	<u>419</u>
Total covered employees	<u><u>457</u></u>

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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 .07% 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 Plan were \$15,672 and \$15,451 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net HIC OPEB Liability (Asset)

The Board's net HIC OPEB liability (asset) 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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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.

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

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%

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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 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%.

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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2021 (continued)

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

Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount 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 (Asset)

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 327,517	\$ 330,732	\$ (3,215)
Changes for the year:			
Service cost	\$ 12,675	\$ -	\$ 12,675
Interest	21,495	-	21,495
Differences between expected and actual experience	(2,331)	-	(2,331)
Contributions - employer	-	15,440	(15,440)
Net investment income	-	6,625	(6,625)
Benefit payments	(18,138)	(18,138)	-
Administrative expenses	-	(636)	636
Other changes	-	(3)	3
Net changes	\$ 13,701	\$ 3,288	\$ 10,413
Balances at June 30, 2020	\$ 341,218	\$ 334,020	\$ 7,198

Sensitivity of the Board's Health Insurance Credit Net OPEB Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Board's Net HIC OPEB Liability/(Asset)	\$ 48,549	\$ 7,198	\$ (27,446)

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2021 (continued)

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

Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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 Plan OPEB expense of \$12,767. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to the Board's HIC Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,031
Net difference between projected and actual earnings on HIC OPEB plan investments	10,981	-
Change in assumptions	6,290	4,713
Employer contributions subsequent to the measurement date	<u>15,672</u>	<u>-</u>
Total	<u>\$ 32,943</u>	<u>\$ 7,744</u>

\$15,672 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:

<u>Year Ended June 30</u>	
2022	\$ 167
2023	2,499
2024	2,581
2025	3,633
2026	850
Thereafter	(203)

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Health Insurance Credit (HIC) Plan (OPEB Plan): (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.

Medical, Dental, and Life Insurance - (OPEB Plan):

Plan Description

The Post-Retirement Medical Plan (The Plan) is a single-employer defined benefit healthcare plan which offers health insurance for retired employees. Retirees are eligible for postretirement medical coverage if they are a full-time employee who retires directly from the Rappahannock Area Community Services Board and is eligible for retirement from VRS. The Board's post-retirement medical plan does not issue a separate, audited GAAP basis report.

Plan Administration

Management of The Plan is vested in the Plan Trustees, which consists of the Board members of the Rappahannock Area Community Services Board.

Benefits Provided

The Rappahannock Area Community Services Board has established an irrevocable trust pursuant to Section 15.2-1544 of the Code of Virginia, as amended for the purpose of accumulating and investing assets to fund Other Postemployment Benefits (OPEB) and to participate in the Virginia Pooled OPEB Trust Fund and has established a Local Finance Board to become a Participating Employer in the Trust Fund. The Trust Fund provides administrative, custodial and investment services to the Participating Employers in the Trust Fund. The Board participates in the Virginia Pooled OPEB Trust Fund, an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League (VML) at P.O. Box 12164, Richmond, Virginia 23241.

Postemployment benefits are provided to eligible retirees include Medical, Dental, and Life insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. Retirees are reimbursed for the allowable portion of premiums paid. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Medical, Dental, and Life Insurance - (OPEB Plan): (Continued)

Plan Membership

At June 30, 2021 (measurement date), the following employees were covered by the benefit terms:

	<u>Total</u>
Total active employees with coverage	409
Total retirees with coverage	<u>10</u>
Total	<u>419</u>

The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2021, the Board's average contribution rate was 0.90% percent of covered- payroll. For the year ended June 30, 2021, the Board contributed \$191,597 to the Plan. Plan members are not required to contribute to the plan.

Investment Policy

The Board's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2021:

<u>Asset Class</u>	<u>Target Percentage</u>
Core Fixed Income	21.00%
Large Cap US Equities	26.00%
Small Cap US Equities	10.00%
Developed Foreign Equities	13.00%
Emerging Market Equities	5.00%
Private Real Estate	7.00%
Private Equity	5.00%
Commodities	3.00%
Hedge FOF Strategic	10.00%
Total	<u>100.00%</u>

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Medical, Dental, and Life Insurance - (OPEB Plan): (Continued)

Concentrations

The Trust does not hold investments in any one organization that represent five percent or more of the OPEB Trust's Fiduciary Net Position.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 30.02 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Schedule of Investment Returns

Last 10 Fiscal Years

Annual Money-Weighted Rate of Return Net of Investment Expense	
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6/30/2017	12.73%
6/30/2018	9.53%
6/30/2019	4.56%
6/30/2020	3.04%
6/30/2021	30.02%

The chart is intended to show information for 10 years. More data will be added as it becomes available.

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021.

Actuarial Assumptions

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Discount Rate	6.50%
Investment Rate of Return	6.50%

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

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

Medical, Dental, and Life Insurance - (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study at January 1, 2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 (see the discussion of The Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Core Fixed Income	0.83%
Large Cap US Equities	3.93%
Small Cap US Equities	5.09%
Developed Foreign Equities	5.73%
Emerging Market Equities	7.51%
Private Real Estate	3.89%
Private Equity	8.99%
Commodities	2.29%
Hedge FOF Strategic	2.71%
Assumed Inflation	2.40%
Portfolio Real Mean Return	3.93%
Portfolio Nominal Mean Return	6.33%
Portfolio Standard Deviation	11.60%
Long-Term Expected Rate of Return	6.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2021 (continued)

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

Medical, Dental, and Life Insurance - (OPEB Plan): (Continued)

Changes in Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at June 30, 2020	\$ 2,529,470	\$ 2,715,212	\$ (185,742)
Changes for the year:			
Service cost	\$ 116,959	\$ -	\$ 116,959
Interest	170,285	-	170,285
Effect of economic/demographic gains or losses	(176,576)	-	(176,576)
Changes in assumptions	(69,720)	-	(69,720)
Contributions - employer	-	191,597	(191,597)
Net investment income	-	812,266	(812,266)
Administrative expenses	-	(3,538)	3,538
Benefit payments	(54,172)	(54,172)	-
Net changes	\$ (13,224)	\$ 946,153	\$ (959,377)
Balances at June 30, 2021	\$ 2,516,246	\$ 3,661,365	\$ (1,145,119)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following amounts present the net OPEB liability (asset) of the Board, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current discount rate:

Rate		
1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
\$ (782,989)	\$ (1,145,119)	\$ (1,453,426)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability (asset) of the Board, as well as what the net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.70%) or one percentage point higher (6.70%) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.60%)	Healthcare Cost Trend (5.60%)	1% Increase (6.60%)
\$ (1,429,756)	\$ (1,145,119)	\$ (797,814)

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements
At June 30, 2021 (continued)

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

Medical, Dental, and Life Insurance - (OPEB Plan): (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the Board recognized OPEB expense in the amount of (\$26,600). At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 439,371
Change in assumptions	-	254,435
Differences between expected and actual experience	89,489	160,524
Total	\$ <u>89,489</u>	\$ <u>854,330</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	
2022	\$ (141,143)
2023	(132,411)
2024	(144,349)
2025	(162,452)
2026	(35,246)
Thereafter	(149,240)

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Aggregate OPEB Pension Information:

	Rappahannock Area Community Services Board				
	Deferred Outflows	Deferred Inflows	Net OPEB Asset	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:					
Group Life Insurance Plan (Note 14)	\$ 471,551	\$ 53,682	\$ -	\$ 1,797,670	\$ 99,526
Health Insurance Credit Plan (Note 14)	32,943	7,744	-	7,198	12,767
Virginia Local Disability Program (Note 14)	138,171	44,501	-	32,279	91,826
Stand-Alone Plan (Note 14)	89,489	854,330	1,145,119	-	(26,600)
Totals	\$ <u>732,154</u>	\$ <u>960,257</u>	\$ <u>1,145,119</u>	\$ <u>1,837,147</u>	\$ <u>177,519</u>

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Financial Statements At June 30, 2021 (continued)

NOTE 15 - RESTRICTED NET POSITION:

Restricted net position consists of the net position of the component units with HUD funding less the net investment in capital assets or \$2,448,605 at June 30, 2021 and \$2,202,564 at June 30, 2020. The net position is considered restricted due to the regulatory oversight over the Organization by the U.S. Department of Housing and Urban Development and the restrictions on the use of the property pursuant to the acceptance of capital advance funds by the Organization.

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.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

NOTE 17 - 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.

	<u>Fiduciary Fund</u> <u>Private-Purpose</u> <u>Trust Funds</u>
Net Position as reported at July 1, 2020	\$ -
Implementation of GASB 84	200,163
Net Position as restated at July 1, 2020	<u>\$ 200,163</u>

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- Required Supplementary Information -

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RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability							
Service cost	\$ 1,575,288	\$ 1,492,503	\$ 1,446,958	\$ 1,497,145	\$ 1,480,553	\$ 1,514,991	\$ 1,453,677
Interest	2,602,040	2,395,418	2,213,618	2,123,849	2,016,286	1,870,481	1,701,667
Differences between expected and actual experience	779,680	561,269	278,214	(523,148)	(863,558)	(442,973)	-
Changes of assumptions	-	1,302,924	-	(496,368)	-	-	-
Benefit payments	(1,540,842)	(1,306,415)	(1,376,882)	(1,261,255)	(932,066)	(787,076)	(700,350)
Net change in total pension liability	\$ 3,416,166	\$ 4,445,699	\$ 2,561,908	\$ 1,340,223	\$ 1,701,215	\$ 2,155,423	\$ 2,454,994
Total pension liability - beginning	39,319,161	34,873,462	32,311,554	30,971,331	29,270,116	27,114,693	24,659,699
Total pension liability - ending (a)	\$ 42,735,327	\$ 39,319,161	\$ 34,873,462	\$ 32,311,554	\$ 30,971,331	\$ 29,270,116	\$ 27,114,693
Plan fiduciary net position							
Contributions - employer	\$ 209,391	\$ 256,415	\$ 358,568	\$ 370,563	\$ 713,143	\$ 689,023	\$ 983,504
Contributions - employee	982,691	937,400	902,891	894,895	808,979	791,251	761,729
Net investment income	850,529	2,813,847	2,892,557	4,269,791	617,675	1,473,770	4,236,654
Benefit payments	(1,540,842)	(1,306,415)	(1,376,882)	(1,261,255)	(932,066)	(787,076)	(700,350)
Administrative charges	(28,672)	(27,191)	(24,571)	(24,174)	(20,392)	(19,191)	(21,737)
Other	(1,015)	(1,778)	(2,599)	(3,823)	(254)	(313)	224
Net change in plan fiduciary net position	\$ 472,082	\$ 2,672,278	\$ 2,749,964	\$ 4,245,997	\$ 1,187,085	\$ 2,147,464	\$ 5,260,024
Plan fiduciary net position - beginning	44,544,033	41,871,755	39,121,791	34,875,794	33,688,709	31,541,245	26,281,221
Plan fiduciary net position - ending (b)	\$ 45,016,115	\$ 44,544,033	\$ 41,871,755	\$ 39,121,791	\$ 34,875,794	\$ 33,688,709	\$ 31,541,245
Board's net pension asset - ending (a) - (b)	\$ (2,280,788)	\$ (5,224,872)	\$ (6,998,293)	\$ (6,810,237)	\$ (3,904,463)	\$ (4,418,593)	\$ (4,426,552)
Plan fiduciary net position as a percentage of the total pension liability	105.34%	113.29%	120.07%	121.08%	112.61%	115.10%	116.33%
Covered payroll	\$ 22,075,863	\$ 20,672,063	\$ 19,787,291	\$ 19,145,833	\$ 17,277,503	\$ 16,124,859	\$ 15,309,883
Board's net pension asset as a percentage of covered payroll	-10.33%	-25.28%	-35.37%	-35.57%	-22.60%	-27.40%	-28.91%

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.

RAPPAHANNOCK AREA 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	\$ 371,014	\$ 371,014	\$ -	\$ 22,386,497	1.66%
2020	220,163	220,163	-	22,075,863	1.00%
2019	242,886	242,886	-	20,672,063	1.17%
2018	359,668	359,668	-	19,787,291	1.82%
2017	470,988	470,988	-	19,145,833	2.46%
2016	772,304	772,304	-	17,277,503	4.47%
2015	720,781	720,781	-	16,124,859	4.47%
2014	987,487	987,487	-	15,309,883	6.45%
2013	913,196	913,196	-	14,158,083	6.45%
2012	597,811	597,811	-	12,773,732	4.68%

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2021

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%

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Changes in the Board's Net OPEB Liability (Asset) and Related Ratios - Health Plan
For the Years Ended June 30, 2017 and June 30, 2021

	2017	2018	2019	2020	2021
Total OPEB liability					
Service cost	\$ 124,720	\$ 133,450	\$ 147,754	\$ 131,907	\$ 116,959
Interest	124,910	140,751	167,114	162,367	170,285
Changes in assumptions	-	-	(147,135)	(105,785)	(69,720)
Effect of economic/demographic gains or losses	-	-	123,473	-	(176,576)
Benefit payments	(27,036)	(37,282)	(33,392)	(49,353)	(54,172)
Net change in total OPEB liability	\$ 222,594	\$ 236,919	\$ 257,814	\$ 139,136	\$ (13,224)
Total OPEB liability - beginning	1,673,007	1,895,601	2,132,520	2,390,334	2,529,470
Total OPEB liability - ending (a)	\$ 1,895,601	\$ 2,132,520	\$ 2,390,334	\$ 2,529,470	\$ 2,516,246
Plan fiduciary net position					
Contributions - employer	\$ 271,062	\$ 175,677	\$ 204,649	\$ 198,779	\$ 191,597
Net investment income	189,753	181,705	101,688	76,200	812,266
Administrative expenses	(2,236)	(2,579)	(2,884)	(3,228)	(3,538)
Benefit payments	(27,036)	(37,282)	(33,392)	(49,353)	(54,172)
Net change in plan fiduciary net position	\$ 431,543	\$ 317,521	\$ 270,061	\$ 222,398	\$ 946,153
Plan fiduciary net position - beginning	1,473,689	1,905,232	2,222,753	2,492,814	2,715,212
Plan fiduciary net position - ending (b)	\$ 1,905,232	\$ 2,222,753	\$ 2,492,814	\$ 2,715,212	\$ 3,661,365
Board's net OPEB liability (asset) - ending (a) - (b)	\$ (9,631)	\$ (90,233)	\$ (102,480)	\$ (185,742)	\$ (1,145,119)
Plan fiduciary net position as a percentage of the total OPEB liability	100.51%	104.23%	104.29%	107.34%	145.51%
Covered payroll	\$ 18,964,868	\$ 18,964,868	\$ 21,000,512	\$ 22,074,590	\$ 21,707,442
Board's net OPEB liability (asset) as a percentage of covered payroll	-0.05%	-0.48%	-0.49%	-0.84%	-5.28%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Employer Contributions - Health Plan
For the Years Ended June 30, 2012 through June 30, 2021

Date	Actuarially Determined Contribution (ADC) (1)	Contributions in Relation to ADC (2)	Contribution Deficiency (Excess) (3)	Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 153,909	\$ 191,597	\$ (37,688)	\$ 21,707,442	0.88%
2020	149,426	198,779	(49,353)	22,074,590	0.90%
2019	145,073	204,649	(59,576)	21,000,512	0.97%
2018	154,000	175,677	(21,677)	18,964,868	0.93%
2017	149,500	271,062	(121,562)	18,964,868	1.43%
2016	87,100	114,000	(26,900)	16,297,400	0.70%
2015	80,900	80,900	-	16,297,400	0.50%
2014	50,600	75,200	(24,600)	13,873,200	0.54%
2013	50,600	72,600	(22,000)	13,873,200	0.52%
2012	53,000	67,100	(14,100)	13,013,200	0.52%

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Investment Returns - Health Plan
Last Ten Fiscal Years

	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	30.02%	3.04%	4.56%	9.53%	12.73%

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

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

**Notes to Required Supplementary Information - Health Plan
Year Ended June 30, 2021**

Valuation Date: 1/1/2021
Measurement Date: 6/30/2021

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay
Amortization Method/Period	Level Percentage of Payroll, Closed, 18 Years Remaining as of January 1, 2021, Amortization growth rate of 3.00%
Asset Valuation Method	Market Value
Inflation	2.50%
Medical Trend Rate	The medical trend rate assumption starts at 5.60% in 2021 and gradually declines to 4.00% by the year 2073.
Salary Increases	3.00%
Investment Rate of Return	6.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 using scale BB to 2020. The mortality rates for disabled retirees was calculated using the RP-2014 Disabled Mortality Rates with scale BB to 2020.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Board's Share of Net OPEB Liability

Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2020	0.1077% \$	1,797,670 \$	22,169,153	8.11%	52.64%
2019	0.1059%	1,723,601	20,763,628	8.30%	52.00%
2018	0.1046%	1,588,000	19,881,849	7.99%	51.22%
2017	0.1041%	1,567,000	19,200,442	8.16%	48.86%

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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2017 through June 30, 2021

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2021	\$ 121,238	\$ 121,238	\$ -	\$ 22,451,426		0.54%
2020	115,280	115,280	-	22,169,153		0.52%
2019	107,971	107,971	-	20,763,628		0.52%
2018	103,386	103,386	-	19,881,849		0.52%
2017	99,842	99,842	-	19,200,442		0.52%

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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information Group Life Insurance (GLI) Plan For the Year Ended June 30, 2021

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:

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%

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Board's Share of Net OPEB Liability Virginia Local Disability Program (VLDP)

For the Measurement Dates of June 30, 2017 through June 30, 2020

Date	Employer's Proportion of the Net VLDP OPEB Liability (Asset)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
2020	3.2337%	\$ 32,279	\$ 12,049,745	0.27%	76.84%
2019	3.3070%	66,994	10,219,361	0.66%	49.19%
2018	3.7252%	29,000	9,045,116	0.32%	51.39%
2017	4.2128%	24,000	7,735,910	0.31%	38.40%

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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Schedule of Employer Contributions
Virginia Local Disability Program (VLDP)
For the 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	\$ 107,097	\$ 107,097	\$ -	\$ 12,903,297	0.83%
2020	86,758	86,758	-	12,049,745	0.72%
2019	73,579	73,579	-	10,219,361	0.72%
2018	54,321	54,321	-	9,045,116	0.60%
2017	46,415	46,415	-	7,735,910	0.60%

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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information Virginia Local Disability Program (VLDP) For the Year Ended June 30, 2021

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:

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty 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 year 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%

RAPPAHANNOCK AREA 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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total HIC OPEB Liability				
Service cost	\$ 12,675	\$ 11,888	\$ 11,684	\$ 12,056
Interest	21,495	20,525	19,519	18,858
Differences between expected and actual experience	(2,331)	(140)	(1,603)	-
Changes in assumptions	-	8,742	-	(10,813)
Benefit payments	(18,138)	(13,415)	(17,046)	(4,277)
Net change in total HIC OPEB liability	\$ 13,701	\$ 27,600	\$ 12,554	\$ 15,824
Total HIC OPEB Liability - beginning	327,517	299,917	287,363	271,539
Total HIC OPEB Liability - ending (a)	<u>\$ 341,218</u>	<u>\$ 327,517</u>	<u>\$ 299,917</u>	<u>\$ 287,363</u>
 Plan fiduciary net position				
Contributions - employer	\$ 15,440	\$ 14,463	\$ 17,809	\$ 17,229
Net investment income	6,625	20,047	20,704	29,448
Benefit payments	(18,138)	(13,415)	(17,046)	(4,277)
Administrative expense	(636)	(439)	(491)	(495)
Other	(3)	(24)	(1,437)	1,437
Net change in plan fiduciary net position	\$ 3,288	\$ 20,632	\$ 19,539	\$ 43,342
Plan fiduciary net position - beginning	330,732	310,100	290,561	247,219
Plan fiduciary net position - ending (b)	<u>\$ 334,020</u>	<u>\$ 330,732</u>	<u>\$ 310,100</u>	<u>\$ 290,561</u>
 Board's net HIC OPEB liability (asset) - ending (a) - (b)	\$ 7,198	\$ (3,215)	\$ (10,183)	\$ (3,198)
 Plan fiduciary net position as a percentage of the total HIC OPEB liability (asset)	97.89%	100.98%	103.40%	101.11%
 Covered payroll	\$ 22,073,211	\$ 20,672,063	\$ 19,881,849	\$ 19,200,442
 Board's net HIC OPEB liability (asset) as a percentage of covered payroll	0.03%	-0.02%	-0.05%	-0.02%

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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

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

Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	as a % of Covered Payroll (5)
2021	\$ 15,672	\$ 15,672	\$ -	\$ 22,388,279	0.07%
2020	15,451	15,451	-	22,073,211	0.07%
2019	14,470	14,470	-	20,672,063	0.07%
2018	17,825	17,825	-	19,881,849	0.09%
2017	17,229	17,229	-	19,200,442	0.09%

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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Notes to Required Supplementary Information Health Insurance Credit (HIC) Plan Year Ended June 30, 2021

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:

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%

- Supplementary Information -
Combining Financial Statements

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Combining Statement of Net Position
At June 30, 2021

	Rappahannock Area Community Services Board	Rappahannock Community Services, Inc.	Churchill Drive Group Home	Devon Drive Group Home
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 17,788,112	\$ 441,762	\$ -	\$ -
Accounts receivable, less allowance for uncollectibles	3,455,232	-	-	-
Grants and other receivables	183,655	-	-	-
Prepaid items	-	23,606	-	-
Total current assets	\$ 21,426,999	\$ 465,368	\$ -	\$ -
Restricted Assets:				
Cash and cash equivalents	\$ -	\$ 12,447	\$ 30,921	\$ 28,018
Grants and other receivables	-	-	-	-
Prepaid items	-	-	1,650	1,228
Total restricted assets	\$ -	\$ 12,447	\$ 32,571	\$ 29,246
Capital Assets:				
Property and equipment, less accumulated depreciation	\$ 21,878,739	\$ 1,175,017	\$ 578,378	\$ 199,511
Other Assets:				
Net pension asset	\$ 2,280,788	\$ -	\$ -	\$ -
Net OPEB assets	1,145,119	-	-	-
Total other assets	\$ 3,425,907	\$ -	\$ -	\$ -
Total assets	\$ 46,731,645	\$ 1,652,832	\$ 610,949	\$ 228,757
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 2,862,535	\$ -	\$ -	\$ -
OPEB related items	732,154	-	-	-
Total deferred outflows of resources	\$ 3,594,689	\$ -	\$ -	\$ -
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 2,333,151	\$ 7,891	\$ -	\$ -
Compensated absences	1,353,624	-	-	-
Accrued health insurance liabilities	48,256	-	-	-
Unexpended grant funds and other unearned revenue	2,183,728	-	-	-
Long-term debt, current portion	-	3,811	-	-
Total current liabilities	\$ 5,918,759	\$ 11,702	\$ -	\$ -
Liabilities Payable from Restricted Assets:				
Accounts payable and accrued expenses	\$ -	\$ -	\$ 5,106	\$ 10,712
Tenant security deposits	-	10,685	1,216	1,068
Total liabilities payable from restricted assets	\$ -	\$ 10,685	\$ 6,322	\$ 11,780
Long-term Liabilities:				
Long-term debt, less current portion	\$ -	\$ 85,410	\$ -	\$ -
Net OPEB liabilities	1,837,147	-	-	-
Total long-term liabilities	\$ 1,837,147	\$ 85,410	\$ -	\$ -
Total liabilities	\$ 7,755,906	\$ 107,797	\$ 6,322	\$ 11,780
DEFERRED INFLOWS OF RESOURCES				
OPEB related items	\$ 960,257	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ 960,257	\$ -	\$ -	\$ -
NET POSITION				
Net investment in capital assets	\$ 21,878,739	\$ 1,085,796	\$ 578,378	\$ 199,511
Restricted	5,609,635	-	26,249	17,466
Unrestricted	14,121,797	459,239	-	-
Total net position	\$ 41,610,171	\$ 1,545,035	\$ 604,627	\$ 216,977

Galveston Road Group Home	Igo Road Group Home	Leeland Road Group Home	New Hope Estates Group Home	Piedmont Drive Group Home	Scottsdale Estates Group Home	Stonewall Estates Group Home	Intercompany Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,229,874
-	-	-	-	-	-	-	-	3,455,232
-	-	-	-	-	-	-	(89,221)	94,434
-	-	-	-	-	-	-	-	23,606
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(89,221)	\$ 21,803,146
\$ 29,211	\$ 36,657	\$ 25,033	\$ 69,430	\$ 45,205	\$ 57,587	\$ 20,057	\$ -	\$ 354,566
-	1,747	-	-	3,189	-	2,669	-	7,605
1,498	1,533	1,242	1,686	1,214	1,598	1,242	-	12,891
\$ 30,709	\$ 39,937	\$ 26,275	\$ 71,116	\$ 49,608	\$ 59,185	\$ 23,968	\$ -	\$ 375,062
\$ 586,294	\$ 394,331	\$ 186,022	\$ 570,812	\$ 417,268	\$ 826,906	\$ 203,853	\$ -	\$ 27,017,131
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,280,788
-	-	-	-	-	-	-	-	1,145,119
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,425,907
\$ 617,003	\$ 434,268	\$ 212,297	\$ 641,928	\$ 466,876	\$ 886,091	\$ 227,821	(89,221)	\$ 52,621,246
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,862,535
-	-	-	-	-	-	-	-	732,154
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,594,689
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,341,042
-	-	-	-	-	-	-	-	1,353,624
-	-	-	-	-	-	-	-	48,256
-	-	-	-	-	-	-	-	2,183,728
-	-	-	-	-	-	-	(3,811)	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(3,811)	\$ 5,926,650
\$ 6,478	\$ 6,723	\$ 5,771	\$ 11,080	\$ 13,448	\$ 13,486	\$ 14,134	\$ -	\$ 86,938
1,493	1,488	1,280	1,246	677	1,322	1,010	-	21,485
\$ 7,971	\$ 8,211	\$ 7,051	\$ 12,326	\$ 14,125	\$ 14,808	\$ 15,144	\$ -	\$ 108,423
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(85,410)	\$ -
-	-	-	-	-	-	-	-	1,837,147
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(85,410)	\$ 1,837,147
\$ 7,971	\$ 8,211	\$ 7,051	\$ 12,326	\$ 14,125	\$ 14,808	\$ 15,144	(89,221)	\$ 7,872,220
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 960,257
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 960,257
\$ 586,294	\$ 394,331	\$ 186,022	\$ 570,812	\$ 417,268	\$ 826,906	\$ 203,853	\$ -	\$ 26,927,910
22,738	31,726	19,224	58,790	35,483	44,377	8,824	-	5,874,512
-	-	-	-	-	-	-	-	14,581,036
\$ 609,032	\$ 426,057	\$ 205,246	\$ 629,602	\$ 452,751	\$ 871,283	\$ 212,677	\$ -	\$ 47,383,458

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

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

	Rappahannock Area Community Services Board	Rappahannock Community Services, Inc.	Churchill Drive Group Home	Devon Drive Group Home
Operating revenue:				
Net patient service revenue	\$ 24,769,749	\$ -	\$ -	\$ -
Operating expenses:				
Salaries and benefits	\$ 32,316,387	\$ -	\$ -	\$ -
Staff development	70,580	-	-	-
Facilities	1,387,762	402,199	26,731	25,184
Supplies	2,083,498	-	-	-
Travel	252,660	-	-	-
Contractual and consulting	5,647,073	-	-	-
Depreciation	1,416,508	77,771	18,202	19,083
Other	658,789	774	-	-
Total operating expenses	\$ 43,833,257	\$ 480,744	\$ 44,933	\$ 44,267
Operating income (loss)	\$ (19,063,508)	\$ (480,744)	\$ (44,933)	\$ (44,267)
Nonoperating income (expense):				
Capital contributions:				
Commonwealth of Virginia	\$ 10,209,177	\$ -	\$ -	\$ -
Federal government	3,025,542	-	-	-
Local governments	1,353,560	-	-	-
Other	2,693,882	500,359	25,535	23,583
Interest income	58,960	56	8	6
Interest expense	-	(2,788)	-	-
Net nonoperating income (expense)	\$ 17,341,121	\$ 497,627	\$ 25,543	\$ 23,589
Change in net position	\$ (1,722,387)	\$ 16,883	\$ (19,390)	\$ (20,678)
Net position, beginning of year	43,332,558	1,528,152	624,017	237,655
Net position, end of year	\$ 41,610,171	\$ 1,545,035	\$ 604,627	\$ 216,977

Galveston Road Group Home	Igo Road Group Home	Leeland Road Group Home	New Hope Estates Group Home	Piedmont Drive Group Home	Scottsdale Estates Group Home	Stonewall Estates Group Home	Intercompany Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,769,749
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,316,387
-	-	-	-	-	-	-	-	70,580
26,139	21,817	20,093	28,043	19,777	35,160	26,438	(156,638)	1,862,705
-	-	-	-	-	-	-	-	2,083,498
-	-	-	-	-	-	-	-	252,660
-	-	-	-	-	-	-	-	5,647,073
17,000	23,201	21,868	21,939	28,590	24,214	24,892	-	1,693,268
-	-	-	-	-	-	-	-	659,563
\$ 43,139	\$ 45,018	\$ 41,961	\$ 49,982	\$ 48,367	\$ 59,374	\$ 51,330	\$ (156,638)	\$ 44,585,734
\$ (43,139)	\$ (45,018)	\$ (41,961)	\$ (49,982)	\$ (48,367)	\$ (59,374)	\$ (51,330)	\$ 156,638	\$ (19,815,985)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,209,177
-	-	-	-	-	-	-	-	3,025,542
-	-	-	-	-	-	-	-	1,353,560
20,623	15,573	20,573	27,290	9,163	43,924	24,696	(156,638)	3,248,563
43	9	6	16	11	11	3	-	59,129
-	-	-	-	-	-	-	-	(2,788)
\$ 20,666	\$ 15,582	\$ 20,579	\$ 27,306	\$ 9,174	\$ 43,935	\$ 24,699	\$ (156,638)	\$ 17,893,183
\$ (22,473)	\$ (29,436)	\$ (21,382)	\$ (22,676)	\$ (39,193)	\$ (15,439)	\$ (26,631)	\$ -	\$ (1,922,802)
631,505	455,493	226,628	652,278	491,944	886,722	239,308	-	49,306,260
\$ 609,032	\$ 426,057	\$ 205,246	\$ 629,602	\$ 452,751	\$ 871,283	\$ 212,677	\$ -	\$ 47,383,458

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

Combining Statement of Cash Flows
Year Ended June 30, 2021

	Rappahannock Area Community Services Board	Rappahannock Community Services, Inc.	Churchill Drive Group Home	Devon Drive Group Home
Cash flows from operating activities:				
Receipts from customers	\$ 25,477,714	\$ -	\$ -	\$ -
Payments to suppliers	(9,833,025)	(397,825)	(22,772)	(18,929)
Payments to and for employees	(31,270,994)	-	-	-
Net cash provided by (used for) operating activities	\$ (15,626,305)	\$ (397,825)	\$ (22,772)	\$ (18,929)
Cash flows from noncapital financing activities:				
Government grants	\$ 14,961,205	\$ -	\$ -	\$ -
Other	2,693,882	500,359	25,535	23,583
Net cash provided by (used for) noncapital financing activities	\$ 17,655,087	\$ 500,359	\$ 25,535	\$ 23,583
Cash flows from capital and related financing activities:				
Purchase of capital assets	\$ (148,647)	\$ -	\$ (1,979)	\$ -
Proceeds from sale of capital assets	5,836	-	-	-
Principal payments on mortgages and loans payable	-	(3,700)	-	-
Interest expense	-	(2,788)	-	-
Net cash provided by (used for) capital and related financing activities	\$ (142,811)	\$ (6,488)	\$ (1,979)	\$ -
Cash flows from investing activities:				
Interest income	\$ 58,960	\$ 56	\$ 8	\$ 6
Net increase (decrease) in cash and cash equivalents	\$ 1,944,931	\$ 96,102	\$ 792	\$ 4,660
Cash and cash equivalents, beginning of year	15,843,181	358,107	30,129	23,358
Cash and cash equivalents, end of year	\$ 17,788,112	\$ 454,209	\$ 30,921	\$ 28,018
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (19,063,508)	\$ (480,744)	\$ (44,933)	\$ (44,267)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,416,508	77,771	18,202	19,083
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	707,965	-	-	-
Prepaid items	9,424	280	(43)	71
Net pension asset	2,944,084	-	-	-
Net OPEB assets	(956,162)	-	-	-
Deferred outflows of resources	(1,267,046)	-	-	-
Accounts payable and accrued expenses	(10,660)	4,868	4,002	6,184
Compensated absences	327,124	-	-	-
Net OPEB liabilities	46,552	-	-	-
Deferred inflows of resources	219,414	-	-	-
Other	-	-	-	-
Net cash provided by (used for) operating activities	\$ (15,626,305)	\$ (397,825)	\$ (22,772)	\$ (18,929)

Galveston Road Group Home	Igo Road Group Home	Leeland Road Group Home	New Hope Estates Group Home	Piedmont Drive Group Home	Scottsdale Estates Group Home	Stonewall Estates Group Home	Intercompany Eliminations	Total
\$ - (20,499) -	\$ - (16,267) -	\$ - (14,764) -	\$ - (19,183) -	\$ - (13,708) -	\$ - (23,709) -	\$ - (28,643) -	\$ - 156,638 -	\$ 25,477,714 (10,252,686) (31,270,994)
\$ (20,499)	\$ (16,267)	\$ (14,764)	\$ (19,183)	\$ (13,708)	\$ (23,709)	\$ (28,643)	\$ 156,638	\$ (16,045,966)
\$ - 20,623	\$ - 15,573	\$ - 20,573	\$ - 27,290	\$ - 9,163	\$ - 43,924	\$ - 36,528	\$ - (156,638)	\$ 14,961,205 3,260,395
\$ 20,623	\$ 15,573	\$ 20,573	\$ 27,290	\$ 9,163	\$ 43,924	\$ 36,528	\$ (156,638)	\$ 18,221,600
\$ - - - -	\$ - - - -	\$ - - - -	\$ - - - -	\$ - - - -	\$ - - - -	\$ - - - -	\$ - - - -	\$ (150,626) 5,836 (3,700) (2,788)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (151,278)
\$ 43	\$ 9	\$ 6	\$ 16	\$ 11	\$ 11	\$ 3	\$ -	\$ 59,129
\$ 167	\$ (685)	\$ 5,815	\$ 8,123	\$ (4,534)	\$ 20,226	\$ 7,888	\$ -	\$ 2,083,485
29,044	37,342	19,218	61,307	49,739	37,361	12,169	-	16,500,955
\$ 29,211	\$ 36,657	\$ 25,033	\$ 69,430	\$ 45,205	\$ 57,587	\$ 20,057	\$ -	\$ 18,584,440
\$ (43,139)	\$ (45,018)	\$ (41,961)	\$ (49,982)	\$ (48,367)	\$ (59,374)	\$ (51,330)	\$ 156,638	\$ (19,815,985)
17,000	23,201	21,868	21,939	28,590	24,214	24,892	-	1,693,268
- (28) - - - 5,668 - - - -	- 74 - - - 4,888 - - - 588	- 96 - - - 5,233 - - - -	- 16 - - - 8,844 - - - -	- 65 - - - 5,888 - - - 116	- (92) - - - 11,543 - - - -	- 110 - - - (2,315) - - - -	- - - - - - - - -	707,965 9,973 2,944,084 (956,162) (1,267,046) 44,143 327,124 46,552 219,414 704
\$ (20,499)	\$ (16,267)	\$ (14,764)	\$ (19,183)	\$ (13,708)	\$ (23,709)	\$ (28,643)	\$ 156,638	\$ (16,045,966)

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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
Rappahannock Area Community Services Board
Fredericksburg, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the aggregate remaining fund information of Rappahannock Area Community Services Board, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Rappahannock Area Community Services Board's basic financial statements and have issued our report thereon dated June 14, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rappahannock Area 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 Rappahannock Area Community Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Rappahannock Area 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 Rappahannock Area Community Services Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Robinson, Farmer, Cox, Associates".

Charlottesville, Virginia
June 14, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Rappahannock Area Community Services Board
Fredericksburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Rappahannock Area 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 the Rappahannock Area Community Services Board's major federal programs for the year ended June 30, 2020. Rappahannock Area 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.

Rappahannock Area Community Services Board's basic financial statements include the operations of the component unit organizations Churchill Drive Group Home, Devon Drive Group Home, Galveston Road Group Home, Igo Road Group Home, Leeland Road Group Home, New Hope Estates Group Home, Piedmont Drive Group Home, Scottsdale Estates Group Home and Stonewall Estates Group Home, which received \$4,489,375 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 the Rappahannock Area 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 the Rappahannock Area 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 the Rappahannock Area Community Services Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Rappahannock Area 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 the Rappahannock Area 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 the Rappahannock Area 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 the Rappahannock Area 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.



Charlottesville, Virginia
June 14, 2022

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>Department of Health and Human Services</u>			
Pass-Through Payments:			
Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	Not available	\$ 106,807
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5U79SP020791-04	52,310
COVID-19 - Provider Relief Funds	93.498	Not available	494,679
Opioid STR	93.788	5H79TI080220-02	741,246
Block Grants for Community Mental Health Services	93.958	2B090SM010053-18	169,242
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010053-18	917,968
Virginia Department of Health:			
ACA Maternal, Infant, and Early Childhood Home Visiting Program	93.505	Not available	242,024
Virginia Department of Social Services:			
Temporary Assistance for Needy Families (TANF)	93.558	FAM-18-106A-19	402,242
Total Department of Health and Human Services			\$ <u>3,126,518</u>
<u>Department of Education</u>			
Pass-Through Payments:			
Virginia Department of Education:			
Special Education - Grants for Infants and Families	84.181	H181A190017	\$ 390,535
Total expenditures of federal awards			\$ <u>3,517,053</u>
Reconciliation of Schedule of Expenditures of Federal Awards to financial statements:			
Total Expenditures of Federal Awards - per Schedule of Expenditures of Federal Awards			\$ 3,517,053
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			3,168
Less: Provider Relief Fund received during the year ended June 30, 2020			(494,679)
Total federal revenues - per Statement of Revenues, Expenses and Changes in Net Position			\$ <u>3,025,542</u>

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

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

Notes to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Rappahannock Area 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 for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rappahannock Area Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Rappahannock Area 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 - Indirect Cost Recovery

The entity has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

RAPPAHANNOCK AREA 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:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
93.498	COVID-19 - Provider Relief Funds
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	No
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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.

RAPPAHANNOCK AREA COMMUNITY SERVICES BOARD

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021**

There were no items reported.