

Rappahannock Rapidan
Community Services



CULPEPER, VIRGINIA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

As of and for the Years Ended
June 30, 2020 and 2019

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

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RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

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INTRODUCTORY SECTION

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

CULPEPER, VIRGINIA

BOARD MEMBERS

Robert Weigel, Chair
Fauquier

Donalda Lovelace, Vice - Chair
Orange

Clare Lillard, Secretary
Madison

Culpeper
Richard Brooking
Christopher Jenkins
Charles Stein, Ph.D.

Fauquier
Pat Balasco-Barr
Jack Ledden, Jr.
Robert Weigel

Madison
Amber Foster
Clare Lillard
Valerie Ward

Orange
David Francis
Vacant
Vacant

Rappahannock
Gary Aichele
Ann Baumgardner, Ph.D.
Eve Brooks

MANAGEMENT STAFF

James LaGrafte

Executive Director

Anna McFalls

Director of Finance & Administrative Services

Paula Stone

Director of Community Support Services

Ray Parks

Director of Nutrition & Transportation Services

Ryan Banks

Director of Clinical Services

Henry Eggleston

Director of Human Resources

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

Board of Directors – Culpeper, Fauquier, Madison, Orange, Rappahannock

Executive Director
James (Jim) LaGraffe

Executive Assistant
Jeanette Nord

Community Opioid Response
Director
Chelsea Moore

Finance & Administrative
Services Division
Anna McFalls

Clinic Operations
Tammy Taylor

Reimbursement
Mechelle Jorgensen

Information Technology
Barbara Cason

Procurement and Facilities
Maintenance
Deborah Fenner

Accounting, Budget, and
Fiscal Reporting
Georgene Brown

Administrative Services
Deanne Cockerill

Quality Improvement

Clinical Division
Ryan Banks

Medical Services
Jane Spivey

Crisis Services
Ashton Morse

MH/SUD Outpatient
Services
Ashley Clark

Children's Services
Taisha Chavez

Inpatient Substance Use
Disorder Services
Andrew Olarinde

Prevention Services
Alan Rasmussen

Community Support Division
Paula Stone

Support Coordinators – MH
Vacant
Lindsay Feggans

Hospital Liaison
Katherine Lindsay

Visions Program
Leslie Bottoms

MH Residential Support
Debbie Watson
Michelle Williams

Support Coordinators – DD
Kelly Cundiff
Gisselle Morales
Vacant

DD Waiver Programs
Sheri Sobkowiak

Skilled Nursing Services
Sydney Taylor

DD Day Support Manager
Arlene Diorio

DD Group Home Mgrs.
April Jackson
Nicola McCargo

Aging & Transportation
Division - *Ray Parks*

Senior Centers, Nutrition, &
Volunteer Services; Mobility
Management Services
Lola Walker

Transportation
Beverly Lane

Central Kitchen
Deborah Roark

Housing Programs –
HUD, VHDA/HCV, and PSH
Kimberly Marcey

Support Coordination -
Aging
Toni Browning

Health and Caregiver
Support Services
Susan Walters

Human Resources Director
Henry Eggleston

HR Generalist
Robin Woodard

HR Generalist
Arlene Patel

ABBREVIATIONS:

DD – Developmental Disability

MH – Mental Health

HCV, – Housing Choice Voucher Program

PSH – Permanent Supportive Housing

SUD – Substance Use Disorder

VHDA – Virginia Housing Development Authority

Updated June 2020

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INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Board of Directors
Rappahannock Rapidan Community Services
Culpeper, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of **Rappahannock Rapidan Community Services** (the **Agency**), as of and for the years ended June 30, 2020 and 2019, and the related Notes to the Financial Statements, which collectively comprise the **Agency'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audit of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audits 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 **Agency'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 **Agency'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.

To the Honorable Members of the Board of Directors
Rappahannock Rapidan Community Services

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the **Agency** as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced and subsequently spread through-out the world. The World Health Organization has characterized COVID-19 as a pandemic. The extent of the impact of COVID-19 on the **Agency's** operational and financial performance will depend on future developments, which are highly uncertain and cannot be predicted at this time. Please refer to Note 18.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Pension Schedules, and Post-Employment Benefit Schedules as listed in the accompanying Table of Contents, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the **Agency's** Basic Financial Statements. The accompanying information listed in the Introductory Section and Other Supplementary Information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the Basic Financial

To the Honorable Members of the Board of Directors
Rappahannock Rapidan Community Services

Statements. The Department of Aging and Rehabilitative Services (DARS) Schedules are presented for the year ended September 30, 2019, as required by DARS. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the Basic Financial Statements of the **Agency**.

The accompanying information listed as Other Supplementary Information and Schedule of Expenditures of Federal Awards in the Table of Contents 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 accompanying information listed as Other Supplementary Information and the Schedule of Expenditures of Federal Awards in the Table of Contents are fairly stated in all material respects in relation to the Basic Financial Statements as a whole.

The Introductory Section, as listed in the Table of Contents, has not been subjected to the auditing procedures applied in the audit of the Basic Financial Statements and, accordingly, we do not express an opinion nor provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020, on our consideration of the **Agency's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 the **Agency's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the **Agency's** internal control over financial reporting and compliance.



November 19, 2020
Danville, Virginia

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2020 and 2019

The following discussion and analysis of **Rappahannock Rapidan Community Services'** (the **Agency**) financial performance provides an overview of the **Agency's** financial activities for the fiscal years ended June 30, 2020 and 2019. Please read this information in conjunction with the **Agency's** financial statements.

Overview of the Financial Statements

The **Agency** presents three basic financial statements. These are: (1) Statements of Net Position; (2) Statements of Revenues, Expenses, and Changes in Net Position; and (3) Statements of Cash Flows.

The **Agency's** financial position is measured in terms of resources (assets) which the **Agency** owns and obligations (liabilities) that the **Agency** owes on a given date. This information is reported on the Statements of Net Position, which reflects the **Agency's** assets and deferred outflows of resources, in relation to its liabilities which include its debts to its suppliers, employees and other creditors, and deferred inflows of resources. The excess of the **Agency's** assets over liabilities is its equity, or net position. The Statements of Revenues, Expenses, and Changes in Net Position reports the changes in the **Agency's** net position. The Statements of Cash Flows reports the **Agency's** cash transaction activity and reconciles this activity to the net excess (deficiency) of revenues over expenses.

Financial Summary

Financial Position

A summary of the **Agency's** Statements of Net Position for 2020, 2019, and 2018 is presented as follows:

CONDENSED STATEMENTS OF NET POSITION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 7,463,086	\$ 5,169,061	\$ 6,389,761
Current Assets Restricted	482,695	407,105	414,414
Capital Assets, Net	21,495,227	20,569,822	18,630,535
Noncurrent Assets	<u>8,199,937</u>	<u>9,045,859</u>	<u>8,253,398</u>
Total Assets	<u>\$ 37,640,945</u>	<u>\$ 35,191,847</u>	<u>\$ 33,688,108</u>
Deferred Outflows	<u>\$ 795,030</u>	<u>\$ 109,654</u>	<u>\$ 136,252</u>
Current Liabilities	\$ 2,040,842	\$ 2,047,460	\$ 2,134,831
Current Liabilities Payable from Restricted Assets	102,307	36,099	44,012
Long-Term Liabilities	<u>11,615,155</u>	<u>8,915,475</u>	<u>8,848,277</u>
Total Liabilities	<u>\$ 13,758,304</u>	<u>\$ 10,999,034</u>	<u>\$ 11,027,120</u>

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2020 and 2019

Financial Summary

Financial Position (Continued)

CONDENSED STATEMENTS OF NET POSITION (CONTINUED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Deferred Inflows	\$ <u>545,209</u>	\$ <u>2,158,142</u>	\$ <u>3,999,350</u>
Investment in Capital Assets, Net of Related Capital Debt	\$ 13,156,127	\$ 12,485,852	\$ 10,363,743
Temporarily Restricted Net Position	8,139,067	7,602,824	6,197,383
Board Designated	95,690	-	-
Unrestricted Net Position	<u>2,741,578</u>	<u>2,055,649</u>	<u>2,236,764</u>
Total Net Position	\$ <u>24,132,462</u>	\$ <u>22,144,325</u>	\$ <u>18,797,890</u>

The current financial position of the **Agency** is stable. This is evidenced by the **Agency's** liquidity. The Current Ratio (Current Assets/Current Liabilities) of the **Agency** was 3.66, 2.52, and 3.12 for 2020, 2019, and 2018, respectively.

The portion of net position which represents the amount the **Agency** has invested in capital assets, net of related capital debt, increased approximately 20.48% from 2018 to 2019 and increased approximately 5.37% from 2019 to 2020. Temporarily restricted net position primarily consists of the **Agency's** net pension asset and other associated balances. From 2018 to 2019, temporarily restricted net position increased by approximately 22.68% and increased approximately 7.05% from 2019 to 2020.

Changes in Net Position

A summary of the **Agency's** Statements of Revenues, Expenses, and Changes in Net Position for 2020, 2019, and 2018 is presented as follows:

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2020 and 2019

Financial Summary

Financial Position (Continued)

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Operating Revenues	\$ 8,473,581	\$ 8,893,454	\$ 8,677,308
Total Operating Expenses	<u>(22,388,511)</u>	<u>(22,283,272)</u>	<u>(21,170,248)</u>
Operating (Loss)	<u>(13,914,930)</u>	<u>(13,389,818)</u>	<u>(12,492,940)</u>
Nonoperating Revenues (Expenses)			
Appropriations from governments	11,931,520	11,244,403	11,188,745
Interest and investment income	9,218	21,036	30,393
Contributions	1,217,145	1,199,426	994,116
Other, net	3,045,700	4,576,249	2,520,256
Interest expense on capital note	<u>(300,516)</u>	<u>(304,861)</u>	<u>(298,087)</u>
Net Nonoperating Revenues (Expenses)	<u>15,903,067</u>	<u>16,736,253</u>	<u>14,435,423</u>
Excess of Revenues Over Expenses	1,988,137	3,346,435	1,942,483
Net Position - Beginning of Year	<u>22,144,325</u>	<u>18,797,890</u>	<u>16,855,407</u>
Net Position - End of Year	<u>\$ 24,132,462</u>	<u>\$ 22,144,325</u>	<u>\$ 18,797,890</u>

The following data is intended to provide a comparison of all major revenue sources for the fiscal years ended June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Revenues</u>			
Net individual service revenue	\$ 8,473,581	\$ 8,893,454	\$ 8,677,308
State	7,388,430	6,651,782	7,001,457
Federal	3,245,692	3,332,655	2,927,322
Local	1,297,398	1,259,966	1,259,966
Interest and investment income	9,218	21,036	30,393
Contributions	1,217,145	1,199,426	994,116
Other, net	3,045,700	4,576,249	2,520,256

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2020 and 2019

Financial Summary

Financial Position (Continued)

The following data provides a comparison of all expenditures by line item for the fiscal years ended June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Expenses</u>			
Personnel	\$ 15,992,433	\$ 15,463,327	\$ 14,658,897
Staff development	92,168	95,141	108,981
Facilities	1,291,526	1,431,107	1,102,328
Minor equipment and supplies	2,193,591	2,054,061	2,195,412
Travel	700,492	705,004	709,607
Contractual and consulting	894,842	1,306,014	1,384,941
Depreciation	926,592	938,095	728,925
Other	296,867	290,523	281,157
Interest expense on capital note	300,516	304,861	298,087

Operating revenue is defined as the amount of revenue received from providing individual services. The vast majority of those funds are received from Medicaid. From 2018 to 2019, the **Agency** had an increase in operating revenue of approximately 2.49%. From 2019 to 2020, the **Agency** had a decrease in operating revenue of approximately 4.72%.

Operating expenses are comprised of the direct expenses of operating the **Agency**. These include salaries and benefits, occupancy, payments to contracting other agencies, and depreciation. From 2018 to 2019, operating expenses increased by approximately 5.26%. From 2019 to 2020, operating expenses increased by approximately 0.47%.

Nonoperating revenue is comprised of income received as appropriations or grants as well as miscellaneous income. For 2020, appropriations from the State of Virginia constitute approximately 45.60% of nonoperating revenue, while grants from the Federal Government and appropriations from local governments constitute approximately 20.03% and 8.01%, respectively.

From 2018 to 2019, nonoperating revenue increased by approximately 15.66%. From 2019 to 2020, nonoperating revenue decreased by approximately 4.91%.

Cash Flows

A summary of the **Agency's** Statements of Cash Flows for 2020, 2019, and 2018 is presented as follows:

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2020 and 2019

Financial Summary

Cash Flows (Continued)

CONDENSED STATEMENTS OF CASH FLOWS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Cash (Used) by Operating Activities	\$ (12,963,192)	\$ (12,534,664)	\$ (11,927,828)
Net Cash Provided by Noncapital Financing Activities	14,551,020	13,338,504	12,992,490
Net Cash Provided (Used) by Capital and Financing Activities	821,510	(2,263,201)	(1,174,958)
Net Cash Provided by Investing Activities	<u>9,218</u>	<u>21,036</u>	<u>30,393</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,418,556	(1,438,325)	(79,903)
Cash and Cash Equivalents - Beginning of Year	<u>4,151,083</u>	<u>5,589,408</u>	<u>5,669,311</u>
Cash and Cash Equivalents - End of Year	<u>\$ 6,569,639</u>	<u>\$ 4,151,083</u>	<u>\$ 5,589,408</u>

The above represents the actual changes (flows) in cash.

Cash flows from operating activities reconcile the operating (loss) recorded on the Statements of Revenues, Expenses, and Changes in Net Position to cash used by operating activities. In this process, the operating (loss) is decreased by the amount of any noncash transactions (i.e. depreciation) and adjusted for changes in assets and liabilities. Please see the Statements of Cash Flows for a full listing of these transactions.

Cash flows from noncapital financing activities are comprised of income received as appropriations or grants. Please see the Changes in Net Position discussion section above. Cash flows from capital and financing activities are comprised of capital assets purchased and sold by the **Agency**. Please see Note 5 for a full listing of capital assets. Cash flows from investing activities are comprised of interest transactions and the purchase or sale of investments.

Economic Factors

Current economic factors which affected the **Agency** the most were conditions that continue to affect a large write-off of Medicaid accounts receivable which are due in part to changes in billing and collection procedures.

Future economic conditions will affect the **Agency's** net position. Future changes in various state regulations will affect how the **Agency** will provide its services. However, it is unclear at this time whether or not these future changes will have a positive or negative effect on the **Agency's** net position.

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced and subsequently spread through-out the world. The World Health Organization has characterized COVID-19 as a pandemic. The extent of the impact of COVID-19 on the **Agency's** operational

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2020 and 2019

Financial Summary

Economic Factors (Continued)

and financial performance will depend on future developments, which are highly uncertain and cannot be predicted at this time. Please refer to Note 18.

Capital Asset and Debt Administration

Capital Assets

The **Agency's** gross total of capital assets approximately consists of the following asset types at June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	8%	8%	9%
Construction in Progress	3%	9%	1%
Buildings and Improvements	77%	70%	77%
Furniture, Fixtures, and Equipment	3%	3%	3%
Vehicles	9%	10%	10%

In 2017, the **Agency** received a \$3,000,000 grant from the Department of Behavioral Health and Developmental Services (DBHDS) for the construction of two new group homes. Construction was completed in 2020. The balance of the grant was being reported as deferred inflows on the Statement of Net Position. As the **Agency** utilized the grant funds for construction of the group homes, it recognized grant income, accordingly. The **Agency** recognized \$1,107,191 in grant income for the year ended June 30, 2020.

Long-Term Debt

The **Agency** received a Rural Development (FmHA) loan on July 5, 2016, with only interest payable until July 2017. The proceeds of the loan were used for the construction of the Bridges Consolidation Project. The outstanding balance owed on this loan was \$3,621,390 at June 30, 2020. Additional details of this loan are described in Note 10.

The **Agency** issued a public facility refunding mortgage bond in the amount of \$805,000 on August 28, 2015. The proceeds of the bond were used to pay in full all of the outstanding principal balance of the **Agency's** loan with Rural Development that was originally used to finance the purchase and renovation of the **Agency's** administrative offices. The outstanding balance of the bond issue was \$539,385 at June 30, 2020.

The **Agency** has two other loans with Rural Development for the construction of the Boxwood Treatment Facility. The balance owed on these loans was \$3,682,879 at June 30, 2020.

The **Agency** has a loan with a local bank dated January 17, 2019 secured by real estate at 6067 Dumfries Road, Warrenton, Virginia. The balance at June 30, 2020 is \$276,061.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2020 and 2019

Capital Asset and Debt Administration

Long-Term Debt (Continued)

The **Agency** has a loan with Fauquier County dated May 21, 2020 which was used to renovate a property owned by the county. The **Agency** leases the property from the county.

The **Agency** received \$2,375,000 through the Small Business Association (SBA) in connection with the Paycheck Protection Program due to the COVID-19 pandemic. These funds have been classified as a liability on the Statement of Net Position since the **Agency** has not yet received notice of forgiveness from the SBA.

Additional details of long-term debt are described in Note 10.

Summary

The Statements of Net Position reflect that on June 30, 2020, the **Agency** had 3.66 times more current assets than current liabilities.

The Statements of Revenues, Expenses, and Changes in Net Position report that the net position of the **Agency** increased by \$1,988,137 during 2020 as a result of operations.

The Statements of Cash Flows report that cash increased by \$2,418,556 in 2020.

As stated above, the financial position of the **Agency** is measured in terms of resources (assets and deferred outflows) which are owned and obligations (liabilities and deferred inflows) which are owed on a given date. The **Agency's** liquidity displays a stable and secure financial position.

**BASIC
FINANCIAL STATEMENTS**

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

STATEMENTS OF NET POSITION June 30, 2020 and 2019

	Notes	2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents	1	\$ 6,179,226	\$ 3,770,303
Accounts receivable, net of allowance for uncollectible accounts	3	1,202,378	1,299,873
Accrued revenue	3	41,299	30,518
Prepaid items	4	40,183	68,367
Total Current Assets		<u>7,463,086</u>	<u>5,169,061</u>
Current Assets Restricted			
Cash and cash equivalents	1	390,413	380,780
Client funds		92,282	26,325
Total Current Assets Restricted		<u>482,695</u>	<u>407,105</u>
Capital Assets			
Land	5	2,363,362	2,299,354
Construction in progress		843,944	2,603,080
Capital assets (net of accumulated depreciation)		18,287,921	15,667,388
Total Capital Assets, Net		<u>21,495,227</u>	<u>20,569,822</u>
Noncurrent Assets			
Net pension asset	8	8,199,937	9,045,859
Total Noncurrent Assets		<u>8,199,937</u>	<u>9,045,859</u>
Total Assets		<u>\$ 37,640,945</u>	<u>\$ 35,191,847</u>
DEFERRED OUTFLOWS			
Deferred post-employment benefits outflows	9	\$ 160,278	\$ 82,015
Deferred pension outflows	8	611,228	1,205
Bond issuance costs	10	23,524	26,434
Total Deferred Outflows		<u>\$ 795,030</u>	<u>\$ 109,654</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

STATEMENTS OF NET POSITION (CONTINUED)

June 30, 2020 and 2019

	Notes	2020	2019
LIABILITIES			
Current Liabilities			
Accounts payable and accruals		\$ 949,513	\$ 1,020,119
Current portion of long-term capital note	10	158,120	136,526
Current portion of bonds payable	10	57,521	74,472
Current portion of compensated absences	10	875,688	816,343
Total Current Liabilities		<u>2,040,842</u>	<u>2,047,460</u>
Current Liabilities Payable from Restricted Assets			
Client funds		92,282	26,325
Security deposits		<u>10,025</u>	<u>9,774</u>
Total Current Liabilities Payable from Restricted Assets		<u>102,307</u>	<u>36,099</u>
Long-Term Liabilities			
Long-term capital note, net of current portion	10	7,880,543	7,580,103
Long-term bonds payable, net of current portion	10	481,864	521,372
Post-employment benefits liability	9	877,748	814,000
PPP loan liability	10	<u>2,375,000</u>	<u>-</u>
Total Long-Term Liabilities		<u>11,615,155</u>	<u>8,915,475</u>
Total Liabilities		<u>\$ 13,758,304</u>	<u>\$ 10,999,034</u>
DEFERRED INFLOWS			
Deferred post-employment benefits inflows	9	\$ 90,579	\$ 118,000
Deferred pension inflows	8	454,630	932,951
Deposit on construction of group homes	17	<u>-</u>	<u>1,107,191</u>
Total Deferred Inflows		<u>\$ 545,209</u>	<u>\$ 2,158,142</u>
NET POSITION			
Investment in capital assets, net of related capital debt		\$ 13,156,127	\$ 12,485,852
Restricted net position	16	8,139,067	7,602,824
Board designated	16	95,690	-
Unrestricted net position		<u>2,741,578</u>	<u>2,055,649</u>
Total Net Position		<u>\$ 24,132,462</u>	<u>\$ 22,144,325</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION Years Ended June 30, 2020 and 2019

	Notes	2020	2019
Operating Revenues			
Revenues			
Net individual service revenue	1	\$ 8,473,581	\$ 8,893,454
Total Operating Revenues		<u>8,473,581</u>	<u>8,893,454</u>
Operating Expenses			
Personnel		15,992,433	15,463,327
Staff development		92,168	95,141
Facilities		1,291,526	1,431,107
Minor equipment and supplies		2,193,591	2,054,061
Travel		700,492	705,004
Contractual and consulting		894,842	1,306,014
Depreciation	5	926,592	938,095
Other		296,867	290,523
Total Operating Expenses		<u>22,388,511</u>	<u>22,283,272</u>
Operating (Loss)		<u>(13,914,930)</u>	<u>(13,389,818)</u>
Nonoperating Revenues (Expenses)			
Appropriations from governments			
State		7,388,430	6,651,782
Federal		3,245,692	3,332,655
Local		1,297,398	1,259,966
Interest and investment income		9,218	21,036
Contributions		1,217,145	1,199,426
Other, net		3,045,700	4,576,249
Interest expense on capital note	10	(300,516)	(304,861)
Net Nonoperating Revenues		<u>15,903,067</u>	<u>16,736,253</u>
Excess of Revenues Over Expenses		1,988,137	3,346,435
Net Position - Beginning of Year		<u>22,144,325</u>	<u>18,797,890</u>
Net Position - End of Year		<u>\$ 24,132,462</u>	<u>\$ 22,144,325</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

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RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

STATEMENTS OF CASH FLOWS Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows (Uses) from Operating Activities		
Receipts from individuals	\$ 8,556,189	\$ 8,719,040
Payments to suppliers	(5,557,372)	(5,690,590)
Payments to and for employees	(15,962,009)	(15,563,114)
Net Cash (Used) by Operating Activities	(12,963,192)	(12,534,664)
Cash Flows (Uses) from Noncapital Financing Activities		
Government grants	11,626,007	10,988,695
Other	2,925,013	2,349,809
Net Cash Provided by Noncapital Financing Activities	14,551,020	13,338,504
Cash Flows (Uses) from Capital and Financing Activities		
Purchase of capital assets and deposits thereon	(1,535,787)	(2,637,472)
Deposit on construction of group homes	-	826,257
Debt proceeds	2,833,333	295,000
Proceeds from sale of capital assets	14,003	33,755
Interest on long-term debt	(297,280)	(302,987)
Principal payments on long-term debt	(192,759)	(477,754)
Net Cash Provided (Used) by Capital and Financing Activities	821,510	(2,263,201)
Cash Flows (Uses) from Investing Activities		
Interest and investment income	9,218	21,036
Net Cash Provided by Investing Activities	9,218	21,036
Net Increase (Decrease) in Cash and Cash Equivalents	2,418,556	(1,438,325)
Cash and Cash Equivalents - Beginning of Year	4,151,083	5,589,408
Cash and Cash Equivalents - End of Year	\$ 6,569,639	\$ 4,151,083
Cash and Cash Equivalents		
Unrestricted	\$ 6,179,226	\$ 3,770,303
Restricted	390,413	380,780
Cash and Cash Equivalents - End of Year	\$ 6,569,639	\$ 4,151,083

The accompanying Notes to the Financial Statements are an integral part of these statements.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

STATEMENTS OF CASH FLOWS (CONTINUED) Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Changes in Net Position to Net Cash (Used) by Operating Activities		
Operating (Loss)	\$ (13,914,930)	\$ (13,389,818)
Adjustments to Reconcile Changes in Net Position to Net Cash (Used) by Operating Activities		
Depreciation	926,592	938,095
Net (gain) on sale of capital assets	(14,003)	(14,210)
Changes in assets and liabilities		
Accounts receivable	93,486	(202,513)
Accrued revenue	11,338	(66,941)
Prepaid items	28,184	(57)
Accounts payable and accrued expenses	(103,746)	277,033
Compensated absences	59,345	(33,033)
Contributions for post-employment benefits	(49,458)	(42,015)
Contributions to pension plan	-	(1,205)
Net Cash (Used) by Operating Activities	<u>\$ (12,963,192)</u>	<u>\$ (12,534,664)</u>
Noncash Investing, Capital and Financing Activities		
Grant Received for Vehicles	<u>\$ 305,513</u>	<u>\$ 255,708</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies

Description and Purpose of Agency

Rappahannock Rapidan Community Services (the **Agency**) operates as an agent for the Counties of Culpeper, Fauquier, Madison, Orange, and Rappahannock in the establishment and operation of community mental health, developmental disability and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the *Code of Virginia (1950)*, as amended, relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the **Agency** provides a system of community mental health, developmental disability and substance abuse services which relate to and are integrated with existing and planned programs. The **Agency** also serves as the local Area Agency on Aging, which provides programs and activities to senior persons under the *Older Americans Act* and other programs.

Financial Reporting Entity

For financial reporting purposes, in conformance with the Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the **Agency** includes all organizations for which it is considered financially accountable or which exclusively benefit the **Agency**. All component units included in these financial statements have years which end on June 30.

Blended Component Units

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

The Orange Group Home Corporation, High Point Group Home Corporation, Canterbury Group Home Corporation, Rappahannock Elder Housing Corporation, and Developmental Housing Corporation have been included as part of the reporting entity. All of 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. The **Agency's** Board of Director's members also serve as a majority of the Board of Directors for these organizations.

Significant intercompany transactions and accounts have been eliminated in the financial statements. Separate financial statements for the individual component units may be obtained from the **Agency's** Finance Department.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (Continued)

not be recognized as an outflow of resources (expense) until then. **Agency** contributions that have been made into the Virginia Retirement System (see Notes 8 and 9), investment experience in the Virginia Retirement System, as well as bond issuance costs (see Note 10) are the only items that qualify for reporting in this category.

In addition to liabilities, the statements of net position may report a separate section for deferred inflows of resources. This separate financial statement element 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 net difference between projected and actual earnings on investments and investment experience in the Virginia Retirement System (see Notes 8 and 9) are the only items that qualify for reporting in this category.

Basis of Accounting

The **Agency** 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 **Agency** utilizes the accrual basis of accounting where revenues are recorded when earned and expenses recorded when due.

Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

Enterprise Fund Accounting

The **Agency** 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 **Agency** 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.

Use of Estimates

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

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The **Agency** maintains cash accounts with financial institutions in accordance with the *Virginia Security for Public Deposits Act* of the *Code of Virginia (1950)*, as amended. The Act requires financial institutions to meet specific collateralization requirements. Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less from the date of acquisition.

Investments

Investments are reported at fair value.

Net Individual Service Revenue

Net individual service revenue is reported at the estimated net realizable amounts from individuals, 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.

Financial Assistance

The **Agency** 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 individual's ability to pay. The **Agency** 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 individuals. Because the **Agency** does not pursue the collection of amounts determined to qualify for financial assistance, they are not reported as revenue.

The vast majority of fees collected result from Medicaid billings.

Capital Assets

Capital asset acquisitions with a cost of \$5,000 or more are capitalized and are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 5 to 39 years and is computed using the straight-line method. Donated capital assets are recorded at their estimated fair market value at the time of the gift. Depreciation expense for the years ended June 30, 2020 and 2019, was \$926,592 and \$938,095, respectively.

Restricted Assets

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

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

Employees are entitled to certain compensated absences based upon length of employment. Paid time off (PTO) includes vacation and certain other compensated absences that vest with the employee. Provision for the estimated liability for these compensated absences has been recorded in the financial statements.

Budgetary Accounting

The **Agency** follows these procedures in establishing its budgets:

1. In response to Letters of Notification received from the Department of Behavioral Health and Developmental Services (the Department), the **Agency** submits a Performance Contract to the Department. This application contains complete budgets for all Core Services.
2. The **Agency's** Performance Contract is filed with the Department during the fiscal year, 45 working days after the end of the second quarter. The final quarterly report is due by August 31 following the end of the fiscal year, unless extended.
3. If any changes are made during the fiscal year in state or federal block grants or local match funds, the **Agency** submits Performance Contract revisions which reflect these changes in time to be received by the Department by required deadlines.

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, investments and other income. Nonoperating expenses are defined as noncapital related financing and other expenses.

Net Position

Net position is the difference between a) assets and deferred outflows of resources, and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Net Position Flow Assumption

The **Agency** 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 **Agency's** policy to consider restricted net position to have been depleted or used before unrestricted net position is applied.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Rental Income

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

Fiscal Agent

The **Agency** serves as its own fiscal agent.

Pension Plan

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the **Agency's** Retirement Plan and the additions to/deductions from the **Agency'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.

Group Life Insurance Program

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia (1950)*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance Program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's 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.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 (1950)*, as amended. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Restricted Cash Funds

Restricted cash consists of debt reserve funds and amounts held by component unit organizations which are restricted for allowable HUD program activities. A summary of these amounts are as follows:

	<u>2020</u>	<u>2019</u>
Restricted cash and cash equivalents		
Debt reserve funds	\$ 238,948	\$ 228,503
HUD programs	<u>151,465</u>	<u>152,277</u>
Total restricted cash and cash equivalents	<u>\$ 390,413</u>	<u>\$ 380,780</u>

Investments

Statutes authorize the **Agency** 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 and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Cash and Cash Equivalents

	<u>2020</u>	<u>2019</u>
Reconciliation of cash and cash equivalents		
Cash on hand	\$ 8,175	\$ 8,635
Cash on deposit with banks	<u>6,561,464</u>	<u>4,142,448</u>
Total cash and cash equivalents	<u>\$ 6,569,639</u>	<u>\$ 4,151,083</u>

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 3 - Accounts Receivable and Accrued Revenue

Deposits

At June 30, 2020 and 2019, the **Agency** had accounts receivable and accrued revenue due, net of allowance for uncollectible accounts of \$1,961,036 and \$1,626,925, respectively, from the following primary sources:

	<u>2020</u>	<u>2019</u>
Virginia Dept. of Medical Assistance Services (Medicaid)	\$ 460,807	\$ 558,194
Direct individual, third party, and other	739,320	715,154
Other	<u>43,550</u>	<u>57,043</u>
Total	<u>\$ 1,243,677</u>	<u>\$ 1,330,391</u>

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

Note 4 - Prepaid Items

Prepaid items consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Prepayment on vehicle purchase	\$ 35,818	\$ 76,380
Prepayment of insurance	1,777	1,800
Note payment	2,588	-
Conference	<u>-</u>	<u>(9,813)</u>
Total	<u>\$ 40,183</u>	<u>\$ 68,367</u>

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 5 - Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 2,299,354	\$ 64,008	\$ -	\$ 2,363,362
Construction in progress	<u>2,603,080</u>	<u>541,624</u>	<u>2,300,760</u>	<u>843,944</u>
Total capital assets not being depreciated	<u>4,902,434</u>	<u>605,632</u>	<u>2,300,760</u>	<u>3,207,306</u>
Capital assets being depreciated				
Buildings and improvements	19,253,542	3,122,279	3,300	22,372,521
Furniture, fixtures, and equipment	740,903	5,466	-	746,369
Vehicles	<u>2,526,632</u>	<u>419,380</u>	<u>193,572</u>	<u>2,752,440</u>
Total capital assets being depreciated	<u>22,521,077</u>	<u>3,547,125</u>	<u>196,872</u>	<u>25,871,330</u>
Accumulated depreciation				
Buildings and improvements	4,636,807	546,635	3,300	5,180,142
Furniture, fixtures, and equipment	594,953	33,055	-	628,008
Vehicles	<u>1,621,929</u>	<u>346,902</u>	<u>193,572</u>	<u>1,775,259</u>
Total accumulated depreciation	<u>6,853,689</u>	<u>926,592</u>	<u>196,872</u>	<u>7,583,409</u>
Net capital assets being depreciated	<u>15,667,388</u>	<u>2,620,533</u>	<u>-</u>	<u>18,287,921</u>
Total net capital assets	<u>\$ 20,569,822</u>	<u>\$ 3,226,165</u>	<u>\$ 2,300,760</u>	<u>\$ 21,495,227</u>
Reconciliation of increases in accumulated depreciation to depreciation and amortization expense in the Statements of Revenues, Expenses, and Changes in Net Position				
Depreciation expense		<u>\$ 926,592</u>		

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 5 - Capital Assets (Continued)

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 2,299,354	\$ -	\$ -	\$ 2,299,354
Construction in progress	<u>119,412</u>	<u>2,499,250</u>	<u>15,582</u>	<u>2,603,080</u>
Total capital assets not being depreciated	<u>2,418,766</u>	<u>2,499,250</u>	<u>15,582</u>	<u>4,902,434</u>
Capital assets being depreciated				
Buildings and improvements	19,200,261	53,281	-	19,253,542
Furniture, fixtures, and equipment	700,560	40,343	-	740,903
Vehicles	<u>2,470,332</u>	<u>319,635</u>	<u>263,335</u>	<u>2,526,632</u>
Total capital assets being depreciated	<u>22,371,153</u>	<u>413,259</u>	<u>263,335</u>	<u>22,521,077</u>
Accumulated depreciation				
Buildings and improvements	4,136,753	500,054	-	4,636,807
Furniture, fixtures, and equipment	507,694	87,259	-	594,953
Vehicles	<u>1,514,937</u>	<u>350,782</u>	<u>243,790</u>	<u>1,621,929</u>
Total accumulated depreciation	<u>6,159,384</u>	<u>938,095</u>	<u>243,790</u>	<u>6,853,689</u>
Net capital assets being depreciated	<u>16,211,769</u>	<u>(524,836)</u>	<u>19,545</u>	<u>15,667,388</u>
Total net capital assets	<u>\$ 18,630,535</u>	<u>\$ 1,974,414</u>	<u>\$ 35,127</u>	<u>\$ 20,569,822</u>
Reconciliation of increases in accumulated depreciation to depreciation and amortization expense in the Statements of Revenues, Expenses, and Changes in Net Position				
Depreciation expense		<u>\$ 938,095</u>		

Note 6 - Operating Lease Commitments

The **Agency** leases office space and other facilities from various lessors. The lease terms range from monthly to five years. The future minimum lease requirements are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 20,400
2022	15,000
2023	15,000
2024	15,000
2025	<u>5,000</u>
Total:	<u>\$ 70,400</u>

Rent expenses totaled \$485,846 for 2020 and \$465,854 for 2019.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 7 - Compensated Absences

In accordance with Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, the **Agency** has accrued the liability arising from compensated absences.

The **Agency's** employees earn leave based on length of service. The **Agency** has outstanding accrued leave pay totaling \$875,688 and \$816,343 at June 30, 2020 and 2019, respectively. All amounts for accrued leave are considered to be current liabilities.

Note 8 - Pension Plan

Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of the **Agency** are automatically covered by VRS Retirement Plan upon employment. This plan is 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 (1950)*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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. The specific information for each plan and the eligibility for covered groups within each plan are set out as follows:

VRS - PLAN 1

1. **About the Plan** - Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.
2. **Eligible Members** - Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

Plan Description (Continued)

VRS - PLAN 1 (Continued)

Hybrid Opt-In Election - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

3. **Retirement Contributions** - Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
4. **Service Credit** - Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
5. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

6. **Calculating the Benefit** - The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

Plan Description (Continued)

VRS - PLAN 1 (Continued)

7. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
8. **Service Retirement Multiplier VRS** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for nonhazardous duty members is 1.70%.
9. **Normal Retirement Age VRS** - Age 65.
10. **Earliest Unreduced Retirement Eligibility VRS** - Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.
11. **Earliest Reduced Retirement Eligibility VRS** - Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.
12. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

Eligibility - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years (60 months) of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the *Workforce Transition Act* or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

Plan Description (Continued)

VRS - PLAN 1 (Continued)

13. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.
14. **Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

VRS - PLAN 2

1. **About the Plan** - Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.
2. **Eligible Members** - Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election - Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

Plan Description (Continued)

VRS - PLAN 2 (Continued)

3. **Retirement Contributions** – Same as Plan 1.
4. **Service Credit** - Same as Plan 1.
5. **Vesting** - Same as Plan 1.
6. **Calculating the Benefit** - See definition under Plan 1.
7. **Average Final Compensation** - A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.
8. **Service Retirement Multiplier VRS** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For nonhazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.
9. **Normal Retirement Age** - Normal Social Security retirement age.
10. **Earliest Unreduced Retirement Eligibility VRS** - Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.
11. **Earliest Reduced Retirement Eligibility VRS** - Age 60 with at least five years (60 months) of service credit.
12. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - Eligibility - Same as Plan 1.
 - Exceptions to COLA Effective Dates - Same as Plan 1.
13. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.
14. **Purchase of Prior Service** - Same as Plan 1.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN

1. **About the Hybrid Retirement Plan** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- **Agency employees***
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- **Agency employees** who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

3. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

4. Service Credit

Defined Benefit Component - Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component - Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

5. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit.

Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years (24 months), a member is 50% vested and may withdraw 50% of employer contributions.
- After three years (36 months), a member is 75% vested and may withdraw 75% of employer contributions.
- After four (4) or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

7. Calculating the Benefit

Defined Benefit Component - See definition under Plan 1.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

- 8. Average Final Compensation** - Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier

Defined Benefit Component VRS: The retirement multiplier for the defined benefit component 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.

Defined Contribution Component - Not applicable.

10. Normal Retirement Age

Defined Benefit Component VRS - Same as Plan 2.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component VRS - Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and plus service credit equals 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component VRS - Age 60 with at least five years (60 months) of service credit.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as Plan 2.

Defined Contribution Component - Not applicable.

Eligibility - Same as Plan 1 and Plan 2.

Exceptions to COLA Effective Dates - Same as Plan 1 and Plan 2.

16. **Disability Coverage** - Employees of **Agency** (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as Plan 1 with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component - Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2018, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>	
	<u>2018</u>	<u>2017</u>
Inactive members or their beneficiaries currently receiving benefits	<u>131</u>	<u>119</u>
Inactive members		
Vested inactive members	59	65
Non-vested inactive members	161	147
Inactive members active elsewhere in VRS	<u>104</u>	<u>97</u>
Total inactive members	<u>324</u>	<u>309</u>
Active members	<u>249</u>	<u>260</u>
Total covered employees	<u>704</u>	<u>688</u>

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia (1950)*, 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 **Agency's** contractually required employer contribution rate for the year ended June 30, 2020 was 0.77% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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. Contribution to the pension plan from the **Agency** were \$0 and \$1,205 for the years ended June 30, 2020, and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB statement No. 68, less that employer's fiduciary net position. For the **Agency**, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the **Agency's** Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

Actuarial Assumptions - General Employees (Continued)

* 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 pension liabilities.

Mortality rates:

All Others (Non 10 Largest) - Non-Hazardous Duty: 15.00% 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 95.00% of rates; females 105.00% 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 (36 months); females 1.00% 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 (24 months), 110.00% of rates; females 125.00% of rates.

The actuarial assumptions used in the June 30, 2018, 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:

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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	Increase rate from 14.00% to 15.00%
Discount Rate	Decrease rate from 7.00% to 6.75%

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.63%

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

Long-Term Expected Rate of Return (Continued)

* The above allocation provides a one-year return of 7.63%. 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%. 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.

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 **Agency** was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100.00% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was great. From July 1, 2019, on, participating employers are assumed to continue to contribute 100.00% 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.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 28,420,215	\$ 36,673,613	\$ (8,253,398)
Changes for the year			
Service cost	856,857	-	856,857
Interest	1,943,185	-	1,943,185
Differences between expected and actual experience	(381,868)	-	(381,868)
Contributions - employer	-	52,986	(52,986)
Contributions - employee	-	484,223	(484,223)
Net investment income	-	2,699,308	(2,699,308)
Benefit payments, including refunds of employee contributions	(1,320,860)	(1,320,860)	-
Administrative expenses	-	(23,489)	23,489
Other changes	-	(2,393)	2,393
Net changes	1,097,314	1,889,775	(792,461)
Balances at June 30, 2018	29,517,529	38,563,388	(9,045,859)
Changes for the year			
Service cost	818,960	-	818,960
Interest	2,018,919	-	2,018,919
Changes in assumptions	886,904	-	886,904
Differences between expected and actual experience	126,448	-	126,448
Contributions - employer	-	1,205	(1,205)
Contributions - employee	-	479,754	(479,754)
Net investment income	-	2,551,515	(2,551,515)
Benefit payments, including refunds of employee contributions	(1,351,667)	(1,351,667)	-
Administrative expenses	-	(25,560)	25,560
Other changes	-	(1,605)	1,605
Net changes	2,499,564	1,653,642	845,922
Balances at June 30, 2019	\$ 32,017,093	\$ 40,217,030	\$ (8,199,937)

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

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

The following presents the net pension liability (asset) of the **Agency** using the discount rate of 6.75%, as well as what the **Agency's** net pension 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Agency's			
Net Pension Liability (Asset)	\$(4,257,009)	\$(8,199,937)	\$(11,343,845)

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

For the year ended June 30, 2020, the **Agency** recognized pension income of \$242,422. At June 30, 2020, the **Agency** 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	\$ 76,270	\$ 97,952
Change in assumptions	534,958	-
Net difference between projected and actual-earnings on pension plan investments	-	356,678
Total	<u>\$ 611,228</u>	<u>\$ 454,630</u>

For the year ended June 30, 2019, the **Agency** recognized pension income of \$1,179,531. At June 30, 2019, the **Agency** reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 8 - Pension Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 484,141
Change in assumptions	-	113,303
Net difference between projected and actual-earnings on pension plan investments	-	335,507
Employer contributions subsequent to the measurement date	1,205	-
Total	<u>\$ 1,205</u>	<u>\$ 932,951</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ending June 30	
2021	\$ 290,904
2022	\$ (148,808)
2023	\$ (8,798)
2024	\$ 23,300
2025	\$ -
Thereafter	\$ -

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2019 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 9 - Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 9 - Group Life Insurance Program (Continued)

Plan Description (Continued)

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance 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 program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

1. **Eligible Employees** - The Group Life Insurance Program was established July 1, 1960 for state employees, teachers and employees of political subdivisions that elect the program.

Basic group life insurance 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.

2. **Benefits Amounts** - The benefits payable under the Group Life Insurance Program have several components:

Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.

Accidental Death Benefit - The accidental death benefit is double the natural death benefit.

Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:

- Accidental dismemberment benefit
- Safety belt benefit
- Repatriation benefit
- Felonious assault benefit
- Accelerated death benefit option

3. **Reduction in Benefit Amounts** - The benefit amounts provided to members covered under the Group Life Insurance Program 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.
4. **Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)** - For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit 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 \$8,463 as of June 30, 2020.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

Note 9 - Group Life Insurance Program (Continued)

Contributions

The contribution requirements for the Group Life Insurance Program are governed by Section 51.1-506 and Section 51.1-508 of the *Code of Virginia (1950)*, 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 Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% ($1.31\% \times 60\%$) and the employer component was 0.52% ($1.31\% \times 40\%$). 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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. Contribution to the Group Life Insurance Program from the **Agency** was \$41,817 and \$55,029 for the years ended June 30, 2020 and June 30, 2019, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2020, the **Agency** reported a liability of \$877,748 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2018, and rolled forward to the measurement date of June 30, 2019. The **Agency's** proportion of the Net GLI OPEB Liability was based on the **Agency's** actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the **Agency's** proportion was 0.05394% as compared to 0.05359% at June 30, 2018.

For the year ended June 30, 2020, the **Agency** recognized GLI OPEB expense of \$12,895. 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.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 9 - Group Life Insurance Program (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2020, the **Agency** reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,375	\$ 11,385
Investment experience	-	18,030
Change in assumptions	55,416	26,468
Changes in proportion	4,670	34,696
Employer contributions subsequent to the measurement date	41,817	-
Total	<u>\$ 160,278</u>	<u>\$ 90,579</u>

\$41,817 reported as deferred outflows of resources related to the GLI OPEB resulting from the **Agency'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, 2021. 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:

Year ending June 30	
2021	\$ (4,284)
2022	\$ (4,283)
2023	\$ 3,353
2024	\$ 11,313
2025	\$ 16,466
Thereafter	\$ 5,317

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 9 - Group Life Insurance Program (Continued)

Actuarial Assumptions (Continued)

Inflation	2.50%
Salary increases, including inflation –	
General state employees	3.50% - 5.35%
Teachers	3.50% - 5.95%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
JRS employees	4.50%
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of 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 the OPEB liabilities.

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95.00% of rates; females 105.00% 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 1.00% 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, 110.00% of rates; females 125.00% of rates.

The actuarial assumptions used in the June 30, 2018, 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:

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 9 - Group Life Insurance Program (Continued)

Actuarial Assumptions (Continued)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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	Decrease rate from 7.00% to 6.75%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program'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, 2019, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
Employer's Net GLI OPEB Liability (Asset)	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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 RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 9 - Group Life Insurance Program (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 Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		5.13%
	Inflation		<u>2.50%</u>
			<u>7.63%</u>

*Expected arithmetic nominal return

* The above allocation provides a one-year return of 7.63%. 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%. 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.

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 ending June 30, 2019, the rate contributed by the **Agency** 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 100.00% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue 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 RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 9 - Group Life Insurance Program (Continued)

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

The following presents the **Agency's** proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the **Agency'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:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Agency's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 1,153,117	\$ 877,748	\$ 654,430

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2019 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

Note 10 - Long-Term Obligations

Summary of Changes in Long-Term Obligations

	Mortgages Payable	Compensated Absences
Balance at July 1, 2018	\$ 7,844,647	849,376
Add: Issuances / additions	295,000	-
Deduct: Retirements	<u>423,018</u>	<u>33,033</u>
Balance at July 1, 2019	7,716,629	816,343
Add: Issuances / additions	458,333	59,345
Deduct: Retirements	<u>136,299</u>	<u>-</u>
Balance at June 30, 2020	<u>\$ 8,038,663</u>	<u>\$ 875,688</u>
Current Portion	<u>\$ 158,120</u>	<u>\$ 875,688</u>

Additional detail for compensated absences is reported in Note 7.

Long-Term Debt

Year ending June 30,	Principal	Interest
2021	\$ 158,120	\$ 288,570
2022	164,438	282,252
2023	170,697	275,992
2024	177,210	269,480
2025-2029	1,107,403	1,213,020
2030-2034	1,071,716	1,018,744
2035-2039	1,286,694	803,766
2040-2044	1,414,852	551,403
2045-2049	1,485,952	269,410
2050-2054	702,361	91,499
2055-2059	<u>299,220</u>	<u>8,453</u>
Total	<u>\$ 8,038,663</u>	<u>\$ 5,072,589</u>

Total interest cost for fiscal years 2020 and 2019 was \$300,516 and \$304,861, respectively, of which none was capitalized.

The Agency is in compliance with applicable federal arbitrage regulations.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 10 - Long-Term Obligations (Continued)

Details of Long-Term Obligations

Mortgage Loans

The **Agency** has mortgage loans payable incurred to purchase office and outpatient treatment facilities. Details of the mortgage loans are as follows:

	<u>Total</u>	<u>Current Portion</u>
\$3,200,000 Rural Development (FmHA) loan dated April 30, 2009, interest only payable in April 2010 and 2011, with monthly installments of \$14,432 beginning in May 2011, which includes principal and interest through April 2049, interest at 4.375%, secured by real estate at 15511 Guinn Lane, Culpeper, Virginia	\$ 2,826,457	\$ 50,233
\$1,000,000 Rural Development (FmHA) loan dated April 30, 2009, interest only payable in April 2010 and 2011, with monthly installments of \$4,590 beginning in May 2011, which includes principal and interest through April 2049, interest at 4.50%, secured by real estate at 15511 Guinn Lane, Culpeper, Virginia	856,422	16,887
\$3,791,000 Rural Development (FmHA) loan dated July 5, 2016, interest only payable in July 2017, with monthly installments of \$13,231 beginning in August 2017, which includes principal and interest at 2.75%, secured by real estate at 13523 Beverly Ford Road, Elkwood, Virginia	3,621,390	59,903
\$295,000 Union loan dated January 17, 2019, with monthly installments of \$2,383.13 beginning February 2019, which includes principal and interest through January 2026, interest of 5.25%, secured by real estate at 6067 Dumfries Road, Warrenton, Virginia	276,061	14,465
\$458,333 Loan dated May, 21, 2020, with monthly installments of \$2,588 beginning July 2020, which includes principal and interest through July 2040, interest of 3.20%, secured by real estate, owned by Fauquier County and leased by the Agency .	<u>458,333</u>	<u>16,632</u>
Total	<u>\$ 8,038,663</u>	<u>\$ 158,120</u>

Public Facility Refunding Mortgage Bond

In August 2015, the **Agency** issued an \$805,000 public facility refunding mortgage bond (the bond). The bond bears an interest rate of 3.20%. The bond was issued by the **Agency** in order to refund all of the outstanding principal amount of indebtedness reflected by its \$1,230,000 Rural Development (FmHA) loan and to pay related administrative and financing costs. The bond is secured by real estate at 15361 Bradford Road, Culpeper, Virginia.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 10 - Long-Term Obligations (Continued)

The difference between the bond's issuance amount and the net carrying amount of the debt that was refunded, \$37,590, has been reported as a deferred outflow of resources. Each year a portion of deferred outflow of resources is reported as a component of interest expense. For the years ended June 30, 2020, and 2019, the amount reported as a deferred outflow of resources was \$23,524 and \$26,434, respectively, and the amount reported as a component of interest expense was \$2,910 for each year, respectively.

The bond's purchase agreement specifies that the **Agency** maintain a certain debt service coverage ratio. As of June 30, 2020, and 2019, the **Agency** has met this requirement.

The outstanding principal balance of the bond at June 30, 2020, was \$539,385.

Bond debt service requirements to maturity are as follows:

Year ending June 30	Principal	Interest
2021	\$ 57,521	\$ 16,892
2022	59,420	15,036
2023	61,280	13,119
2024	63,302	11,142
2025-2029	297,862	23,898
Total	<u>\$ 539,385</u>	<u>\$ 80,087</u>

Paycheck Protection Program (PPP) Loan Liability

The **Agency** received \$2,375,000 through the Small Business Association (SBA) in connection with the Paycheck Protection Program due to the COVID-19 pandemic. The loan is forgivable if at least 75% of the funds are used for payroll and related costs over a 24 week period. If the loan is not forgiven, it will be required to be repaid over a period of 2 to 5 years at 1.00% interest. The **Agency** has not yet received notice of forgiveness from the SBA.

Note 11 - Commitments and Contingencies

Federal programs in which the **Agency** participates were audited in accordance with the provisions of *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Uniform Guidance. Pursuant to the provisions, 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.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 11 - Commitments and Contingencies (Continued)

In 2017, the Department of Behavioral Health and Developmental Services (DBHDS) partnered with the **Agency** to address additional service and support needs in the continuum of care for individuals with developmental disabilities who also have co-occurring behavioral health needs. DBHDS awarded the **Agency** a total of \$3,000,000 solely for the development of the two group homes in Northern Virginia. If the **Agency** decides to convert the home(s) for an alternate use or sell within the first twenty years, they will be responsible for paying back a prorated amount for the remaining years, unless DBHDS has agreed to convert the building(s) for another use upon bilateral agreement. The **Agency** will retain title to the group homes.

The **Agency** has entered into a service agreement with a software company for their accounting software system. The software company retains all ownership and intellectual property rights to the software services. The term of the service agreement is seven years beginning September 1, 2016, unless earlier terminated. After August 31, 2023, the service agreement will renew automatically each year. The approximate cost per year of the service agreement unless terminated is \$94,000. However, the **Agency** may incur additional costs based on startup, service label, and other optional service items.

Note 12 - Risk Management

The **Agency** insures its potential losses from property casualties, worker's compensation, directors and officers, and professional staff liability with various commercial insurance carriers. All of the policies have low deductible amounts. Automobile and general liability policies have \$5,000,000 insured limits. The directors and officers liability policy has a \$1,000,000 insured limit and the medical malpractice coverage has a \$2,400,000 insured limit. Property damage is insured to \$23,648,517. Worker's compensation claims are insured to \$1,000,000 per accident and \$1,000,000 for total disease coverage. The **Agency** does not require or carry surety bonds on its members. There were no settlements which exceeded insurance coverage in the last three fiscal years.

Note 13 - Contribution from Local Participating Governmental Units

The participating local governmental units' appropriated funds for the **Agency's** operations are as follows:

	2020	2019
County of Culpeper	\$ 418,938	\$ 407,471
County of Fauquier	489,482	475,215
County of Madison	93,894	81,467
County of Orange	243,183	242,956
County of Rappahannock	51,901	52,857
Total	<u>\$ 1,297,398</u>	<u>\$ 1,259,966</u>

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

Note 14 - Net Individual Revenue Sources (Continued)

Net individual revenues for 2020 and 2019 were from the following sources:

	2020	2019
Medicaid	\$ 7,607,073	\$ 7,498,565
Direct individual	170,515	432,330
Third party and other	695,993	962,559
Total	<u>\$ 8,473,581</u>	<u>\$ 8,893,454</u>

Note 15 - Line of Credit

The **Agency** has a line of credit with a local bank in the amount of \$1,000,000

Note 16 - Restricted Net Position

Net assets are restricted for the following purposes:

	2020	2019
Property taxes, insurance and other reserves	\$ (35,703)	\$ (52,750)
Pension plan	8,356,535	8,134,648
Post-employment benefits	(808,049)	(849,985)
Federal and/or state funds not expended at year end	626,284	370,911
Total restricted net position	<u>\$ 8,139,067</u>	<u>\$ 7,602,824</u>

The Board of Directors have designated funds for future capital improvements of the **Agency**. The balance of these funds at June 30, 2020 were \$95,690.

Note 17 - Construction of Group Homes

The **Agency** was the recipient of a governmental award from the Commonwealth of Virginia's Department of Behavioral Health and Developmental Services to aid in the construction of two group homes for individuals with developmental disabilities who also have co-occurring behavioral health needs. In accordance with its accounting policy, the **Agency** recognized the grant as follows:

Balance at June 30, 2017, reported as deferred inflows	\$ 3,000,000
Grant revenue recognized in 2018	(477,657)
Balance at June 30, 2018, reported as deferred inflows	2,522,343
Receipts in 2019 reported as deferred inflows	826,257
Grant revenue recognized in 2019	(2,241,409)
Balance at June 30, 2019, reported as deferred inflows	1,107,191
Grant revenue recognized in 2020	(1,107,191)
Balance	<u>\$ -</u>

Grant revenue is recognized as the funds are utilized for the construction of the group homes.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 18 - Subsequent Events

In December 2019, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments as well as private entities mandating restrictions, including travel restrictions, restrictions on public gathering, shelter-in-home orders and advisories and quarantining of people who may have been exposed to the virus. The **Agency** continues to monitor development, including state and local requirements to evaluate any necessary changes in work structure.

The **Agency** has taken such actions to strengthen its financial position, minimizing the effects on operations as well as maintaining financial liquidity and flexibility. Since the COVID-19 pandemic is complex and rapidly evolving, the **Agency's** plan as described above may change. At this point, the **Agency** continues management operations as normal; however, as of November 19, 2020, the date the **Agency's** financial statements were available to be issued, the **Agency** cannot reasonably estimate the duration and severity of the pandemic, which could have a material adverse impact on the **Agency's** operations.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

PENSION SCHEDULES Year Ended June 30, 2020

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

	2019	2018	2017	2016	2015	2014
<u>Total Pension Liability (Asset)</u>						
Service cost	\$ 818,960	\$ 856,857	\$ 901,142	\$ 966,693	\$ 974,294	\$ 965,751
Interest	2,018,919	1,943,185	1,919,004	1,823,011	1,727,947	1,607,844
Changes in assumptions	886,904	-	(376,797)	-	-	-
Differences between expected and actual experience	126,448	(381,868)	(729,560)	(202,372)	(380,143)	-
Benefit payments, including refunds of employee contributions	(1,351,667)	(1,320,860)	(1,415,840)	(1,016,168)	(911,895)	(803,797)
Net change in total pension liability (asset)	2,499,564	1,097,314	297,949	1,571,164	1,410,203	1,769,798
Total pension liability (asset) - beginning	29,517,529	28,420,215	28,122,266	26,551,102	25,140,899	23,371,101
Total pension liability (asset) - ending (a)	\$ 32,017,093	\$ 29,517,529	\$ 28,420,215	\$ 28,122,266	\$ 26,551,102	\$ 25,140,899
<u>Plan Fiduciary Net Position</u>						
Contributions - employer	\$ 1,205	\$ 52,986	\$ 60,304	\$ 315,865	\$ 322,538	\$ 304,020
Contributions - employee	479,754	484,223	673,999	501,632	491,619	480,982
Net investment income	2,551,515	2,699,308	4,053,758	577,080	1,455,520	4,327,081
Benefit payments, including refunds of employee contributions	(1,351,667)	(1,320,860)	(1,415,840)	(1,016,168)	(911,895)	(803,797)
Administrative expenses	(25,560)	(23,489)	(23,673)	(20,435)	(19,736)	(23,099)
Other	(1,605)	(2,393)	(3,584)	(244)	(307)	228
Net change in fiduciary net position	1,653,642	1,889,775	3,344,964	357,730	1,337,739	4,285,415
Plan fiduciary net position - beginning	38,563,388	36,673,613	33,328,649	32,970,919	31,633,180	27,347,765
Plan fiduciary net position - ending (b)	\$ 40,217,030	\$ 38,563,388	\$ 36,673,613	\$ 33,328,649	\$ 32,970,919	\$ 31,633,180
Net pension liability (asset) - ending (a) - (b)	\$ (8,199,937)	\$ (9,045,859)	\$ (8,253,398)	\$ (5,206,383)	\$ (6,419,817)	\$ (6,492,281)
Plan fiduciary net position as a percentage of the total pension liability (asset)	125.61%	130.65%	129.04%	118.51%	124.18%	125.82%
Covered payroll	\$ 10,525,578	\$ 10,143,368	\$ 10,229,478	\$ 10,179,505	\$ 10,043,691	\$ 9,548,973
Net pension liability (asset) as a percentage of covered-employee payroll	77.90%	89.18%	80.68%	51.15%	63.92%	67.99%

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

PENSION SCHEDULES (CONTINUED)

Year Ended June 30, 2020

Schedule of Employer Contributions For the Years Ended June 30, 2014 through 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2020	\$ -	\$ -	\$ -	\$ 10,935,972	0.00%
2019	\$ 1,205	\$ 1,205	\$ -	\$ 10,525,578	0.01%
2018	\$ 52,908	\$ 52,908	\$ -	\$ 10,143,368	0.52%
2017	\$ 60,304	\$ 60,304	\$ -	\$ 10,229,478	0.59%
2016	\$ 315,865	\$ 315,865	\$ -	\$ 10,179,505	3.10%
2015	\$ 322,388	\$ 322,538	\$ (150)	\$ 10,043,691	3.21%
2014	\$ 295,063	\$ 294,687	\$ 376	\$ 9,548,973	3.09%

Notes to Pension Schedules For the Year Ended June 30, 2020

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, 2018, 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-retirements healthy, and disabled)	Update 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 Changes
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

POST-EMPLOYMENT BENEFIT SCHEDULES Year Ended June 30, 2020

Schedule of Employer's Share of Net Other Post-Employment Benefits Liability - Group Life Insurance Plan (GLI OPEB)

For the Measurement Dates of June 30, 2019, 2018, and 2017

	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability	0.05394%	0.05359%	0.05614%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 877,748	\$ 814,000	\$ 845,000
Employer's Covered Payroll	\$ 10,525,578	\$ 10,143,368	\$ 10,229,478
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.34%	8.02%	8.26%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, there are only three years available. However, additional years will be included as they become available.

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

POST-EMPLOYMENT BENEFIT SCHEDULES (CONTINUED)

Year Ended June 30, 2020

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2018 through 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2020	\$ 41,817	\$ 41,817	\$ -	\$ 10,935,972	0.38%
2019	\$ 42,015	\$ 42,015	\$ -	\$ 10,525,578	0.40%
2018	\$ 54,000	\$ 54,000	\$ -	\$ 10,143,368	0.53%

Notes to Post-Employment Benefit Schedules

For the Year Ended June 30, 2020

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, 2018, 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:

General State Employees

Mortality Rates (Pre-retirement, post-retirements healthy, and disabled)	Update 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	Adjusted rates to better match experience
Salary Scale	No Changes
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

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**OTHER
SUPPLEMENTARY INFORMATION**

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**COMBINING
FINANCIAL STATEMENTS**

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

COMBINING STATEMENT OF NET POSITION

June 30, 2020

	Rappahannock Rapidan Community Services	Orange Group Home Corporation	High Point Group Home Corporation
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 6,179,226	\$ -	\$ -
Accounts receivable, net of allowance for uncollectible accounts	1,200,127	75	-
Accrued revenue	220,693	-	-
Prepaid items	40,183	-	-
Total Current Assets	7,640,229	75	-
Current Assets Restricted			
Cash and cash equivalents	238,948	10,851	15,353
Client funds	92,282	-	-
Total Current Assets Restricted	331,230	10,851	15,353
Capital Assets			
Land	2,085,838	20,940	33,483
Construction in progress	843,944	-	-
Capital assets, net of accumulated depreciation	16,166,452	104,787	127,283
Total Capital Assets, Net	19,096,234	125,727	160,766
Noncurrent Assets			
Net pension asset	8,199,937	-	-
Total Noncurrent Assets	8,199,937	-	-
Total Assets	\$ 35,267,630	\$ 136,653	\$ 176,119
DEFERRED OUTFLOWS			
Deferred post-employment benefits outflows	\$ 160,278	\$ -	\$ -
Deferred pension outflows	611,228	-	-
Bond issuance costs	23,524	-	-
Total Deferred Outflows	\$ 795,030	\$ -	\$ -
LIABILITIES			
Current Liabilities			
Accounts payable and accruals	\$ 949,513	\$ -	\$ -
Current portion of long-term capital note	158,120	-	-
Current portion of bonds payable	57,521	-	-
Current portion of compensated absences	875,688	-	-
Total Current Liabilities	2,040,842	-	-
Current Liabilities Payable from Restricted Assets			
Client funds	92,282	-	-
Accounts payable	-	24,891	24,853
Security deposits	-	557	720
Total Current Liabilities Payable from Restricted Assets	92,282	25,448	25,573
Long-Term Liabilities			
Long-term capital note, net of current portion	7,880,543	-	-
Long-term bonds payable, net of current portion	481,864	-	-
Post-employment benefits liability	877,748	-	-
PPP loan liability	2,375,000	-	-
Total Long-Term Liabilities	11,615,155	-	-
Total Liabilities	\$ 13,748,279	\$ 25,448	\$ 25,573
DEFERRED INFLOWS			
Deferred post-employment benefits inflows	\$ 90,579	\$ -	\$ -
Deferred pension inflows	454,630	-	-
Total Deferred Inflows	\$ 545,209	\$ -	\$ -
NET POSITION			
Investment in capital assets net of related capital debt	\$ 10,757,134	\$ 125,727	\$ 160,766
Restricted net position	8,174,770	(14,522)	(10,220)
Board designated	95,690	-	-
Unrestricted net position	2,741,578	-	-
Total Net Position	\$ 21,769,172	\$ 111,205	\$ 150,546

Canterbury Group Home Corporation	Rappahannock Elder Housing Corporation	Developmental Housing Corporation	Inter- Company Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ 6,179,226
182	-	1,994		1,202,378
-	-	-	(179,394)	41,299
-	-	-	-	40,183
182	-	1,994	(179,394)	7,463,086
18,742	90,814	15,705	-	390,413
-	-	-	-	92,282
18,742	90,814	15,705	-	482,695
28,236	129,885	64,980	-	2,363,362
-	-	-	-	843,944
135,232	1,319,081	435,086	-	18,287,921
163,468	1,448,966	500,066	-	21,495,227
-	-	-	-	8,199,937
-	-	-	-	8,199,937
\$ 182,392	\$ 1,539,780	\$ 517,765	\$ (179,394)	\$ 37,640,945
\$ -	\$ -	\$ -	\$ -	\$ 160,278
-	-	-	-	611,228
-	-	-	-	23,524
\$ -	\$ -	\$ -	\$ -	\$ 795,030
\$ -	\$ -	\$ -	\$ -	\$ 949,513
-	-	-	-	158,120
-	-	-	-	57,521
-	-	-	-	875,688
-	-	-	-	2,040,842
-	-	-	-	92,282
10,168	57,348	62,134	(179,394)	-
903	6,582	1,263	-	10,025
11,071	63,930	63,397	(179,394)	102,307
-	-	-	-	7,880,543
-	-	-	-	481,864
-	-	-	-	877,748
-	-	-	-	2,375,000
-	-	-	-	11,615,155
\$ 11,071	\$ 63,930	\$ 63,397	\$ (179,394)	\$ 13,758,304
\$ -	\$ -	\$ -	\$ -	\$ 90,579
-	-	-	-	454,630
\$ -	\$ -	\$ -	\$ -	\$ 545,209
\$ 163,468	\$ 1,448,966	\$ 500,066	\$ -	\$ 13,156,127
7,853	26,884	(45,698)	-	8,139,067
-	-	-	-	95,690
-	-	-	-	2,741,578
\$ 171,321	\$ 1,475,850	\$ 454,368	\$ -	\$ 24,132,462

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION Year Ended June 30, 2020

	Rappahannock Rapidan Community Services	Orange Group Home Corporation	High Point Group Home Corporation
Operating Revenues			
Revenues			
Net individual service revenue	\$ 8,473,581	\$ -	\$ -
Total Operating Revenues	8,473,581	-	-
Operating Expenses			
Personnel	15,992,433	-	-
Staff development	92,168	-	-
Facilities	1,125,840	24,609	24,013
Minor equipment and supplies	2,193,591	-	-
Travel	700,492	-	-
Contractual and consulting	894,842	-	-
Depreciation	831,216	7,589	6,793
Other	296,867	-	-
Total Operating Expenses	22,127,449	32,198	30,806
Operating (Loss)	(13,653,868)	(32,198)	(30,806)
Nonoperating Revenues (Expenses)			
Appropriations from governments			
State	7,388,430	-	-
Federal	3,245,692	-	-
Local	1,297,398	-	-
Interest and investment income	9,173	3	5
Contributions	1,217,145	-	-
Other, net	2,847,416	22,235	25,809
Interest expense on capital note	(300,516)	-	-
Net Nonoperating Revenues	15,704,738	22,238	25,814
Excess (Deficiency) of Revenues Over Expenses	2,050,870	(9,960)	(4,992)
Net Position - Beginning of Year	19,718,302	121,165	155,538
Net Position - End of Year	\$ 21,769,172	\$ 111,205	\$ 150,546

Canterbury Group Home Corporation	Rappahannock Elder Housing Corporation	Developmental Housing Corporation	Inter- Company Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ 8,473,581
-	-	-	-	8,473,581
-	-	-	-	15,992,433
-	-	-	-	92,168
23,540	63,466	30,058	-	1,291,526
-	-	-	-	2,193,591
-	-	-	-	700,492
-	-	-	-	894,842
8,879	55,496	16,619	-	926,592
-	-	-	-	296,867
32,419	118,962	46,677	-	22,388,511
(32,419)	(118,962)	(46,677)	-	(13,914,930)
-	-	-	-	7,388,430
-	-	-	-	3,245,692
-	-	-	-	1,297,398
4	29	4	-	9,218
-	-	-	-	1,217,145
29,064	91,701	29,475	-	3,045,700
-	-	-	-	(300,516)
29,068	91,730	29,479	-	15,903,067
(3,351)	(27,232)	(17,198)	-	1,988,137
174,672	1,503,082	471,566	-	22,144,325
\$ 171,321	\$ 1,475,850	\$ 454,368	\$ -	\$ 24,132,462

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

COMBINING STATEMENT OF CASH FLOWS Year Ended June 30, 2020

	Rappahannock Rapidan Community Services	Orange Group Home Corporation	High Point Group Home Corporation
Cash Flows (Uses) from Operating Activities			
Receipts from individuals	\$ 8,556,189	\$ -	\$ -
Payments to suppliers	(5,358,871)	(26,304)	(29,566)
Payments to and for employees	(15,962,009)	-	-
Net Cash (Used) by Operating Activities	(12,764,691)	(26,304)	(29,566)
Cash Flows (Uses) from Noncapital Financing Activities			
Government grants	11,626,007	-	-
Other	2,722,469	23,454	30,341
Net Cash Provided by Noncapital Financing Activities	14,348,476	23,454	30,341
Cash Flows (Uses) from Capital and Financing Activities			
Purchase of capital assets and deposits thereon	(1,530,887)	-	-
Debt proceeds	2,833,333	-	-
Proceeds from sale of capital assets	14,003	-	-
Interest on long-term debt	(297,280)	-	-
Principal payments on long-term debt	(192,759)	-	-
Net Cash Provided (Used) by Capital and Financing Activities	826,410	-	-
Cash Flows (Uses) from Investing Activities			
Interest and investment income	9,173	3	5
Net Cash Provided by Investing Activities	9,173	3	5
Net Increase (Decrease) in Cash and Cash Equivalents	2,419,368	(2,847)	780
Cash and Cash Equivalents - Beginning of Year	3,998,806	13,698	14,573
Cash and Cash Equivalents - End of Year	\$ 6,418,174	\$ 10,851	\$ 15,353
Cash and Cash Equivalents			
Unrestricted	\$ 6,179,226	\$ -	\$ -
Restricted	238,948	10,851	15,353
Cash and Cash Equivalents - End of Year	\$ 6,418,174	\$ 10,851	\$ 15,353
Reconciliation of Changes in Net Position to Net Cash (Used) by Operating Activities			
Operating (Loss)	\$ (13,653,868)	\$ (32,198)	\$ (30,806)
Adjustments to Reconcile Changes in Net Position to Net Cash (Used) by Operating Activities			
Depreciation	831,216	7,589	6,793
Net (gain) loss on sale of capital assets	(14,003)	-	-
Changes in assets and liabilities			
Accounts receivable	93,486	-	-
Accrued revenue	11,338	-	-
Prepaid items	28,184	-	-
Accounts payable and accrued expenses	(70,931)	(1,695)	(5,553)
Compensated absences	59,345	-	-
Contributions for post-employment benefits	(49,458)	-	-
Net Cash (Used) by Operating Activities	\$ (12,764,691)	\$ (26,304)	\$ (29,566)
Noncash Investing, Capital and Financing Activities			
Grant received for vehicles	\$ 305,513	\$ -	\$ -

Canterbury Group Home Corporation	Rappahannock Elder Housing Corporation	Developmental Housing Corporation	Inter- Company Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ 8,556,189
(24,623)	(90,999)	(27,009)	-	(5,557,372)
-	-	-	-	(15,962,009)
(24,623)	(90,999)	(27,009)	-	(12,963,192)
-	-	-	-	11,626,007
28,883	92,157	27,709	-	2,925,013
28,883	92,157	27,709	-	14,551,020
-	(4,900)	-	-	(1,535,787)
-	-	-	-	2,833,333
-	-	-	-	14,003
-	-	-	-	(297,280)
-	-	-	-	(192,759)
-	(4,900)	-	-	821,510
4	29	4	-	9,218
4	29	4	-	9,218
4,264	(3,713)	704	-	2,418,556
14,478	94,527	15,001	-	4,151,083
\$ 18,742	\$ 90,814	\$ 15,705	\$ -	\$ 6,569,639
\$ -	\$ -	\$ -	\$ -	\$ 6,179,226
18,742	90,814	15,705	-	390,413
\$ 18,742	\$ 90,814	\$ 15,705	\$ -	\$ 6,569,639
\$ (32,419)	\$ (118,962)	\$ (46,677)	\$ -	\$ (13,914,930)
8,879	55,496	16,619	-	926,592
-	-	-	-	(14,003)
-	-	-	-	93,486
-	-	-	-	11,338
-	-	-	-	28,184
(1,083)	(27,533)	3,049	-	(103,746)
-	-	-	-	59,345
-	-	-	-	(49,458)
\$ (24,623)	\$ (90,999)	\$ (27,009)	\$ -	\$ (12,963,192)
\$ -	\$ -	\$ -	\$ -	\$ 305,513

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**OTHER
INFORMATION**

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

LEGEND OF EXPENSE CATEGORIES

Year Ended June 30, 2020

The following describes the various types of expenses that are in the major expense functions as presented in the **Agency's** financial statements.

Personnel

- Salaries and Wages
- Fringe Benefits, which include Payroll
- Taxes, Retirement and Health Insurance and Related Costs

Staff Development

- Dues/Memberships
- Workshops
- Conventions
- In-Service Training
- Subscriptions
- Other: Books

Facilities

- Rent
- Utilities
- Telephone
- Telephone-Emergency Services
- Maintenance Services
- Maintenance Services-Custodial
- Facility Insurance
- Licensure Fees
- Renovations/Repairs
- Other: Residential Start Up Costs

Minor Equipment and Supplies

- Equipment, less major items capitalized to fixed assets
- Data Processing Equipment, less major items capitalized to fixed assets
- Accounting System
- Maintenance/Service Contracts
- Equipment Repair
- Office/Facility Supplies
- Educational/Recreational Supplies
- Food
- Drugs/Medical Supplies
- Other: Recognition

Travel

- Private Mileage
- Private Mileage-Emergency Services
- Individual Transportation
- Vehicle Operating Costs
- Vehicle Insurance
- Food/Lodging
- Parking and Tolls
- Reimbursement to Board Members

Contractual and Consulting

- Accounting/Auditing Services
- Data Processing Services
- Legal Services
- Psychiatric/Psychological SVCS
- Contractual ITC
- Technical Services
- Other Contractual

Other

- Liability Insurance
- Postage
- Printing/Duplicating
- Transcripts/Criminal Background Checks
- Advertising
- Other: Fan Care; Gap Filling Funds; Bank Charges; Miscellaneous

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

SUPPLEMENTAL SCHEDULE OF STATUS OF DARS FUNDS

Year Ended September 30, 2019

Fund	Unencumbered Funds on Hand October 1, 2018	Total Funds Received During Period	Funds Requested by September 30, 2019 but not received by September 30, 2019	Total of Funds Available During Period	Accrued Costs to Contract Period	Unencumbered Funds on Hand September 30, 2019
<i>Older Americans Act</i>						
Title III-B	\$ -	\$ 302,436	\$ -	\$ 302,436	\$ 302,436	\$ -
Title III-C (1)	-	212,855	-	212,855	212,855	-
Title III-C (2)	-	120,286	-	120,286	120,286	-
Title III-D	-	17,478	-	17,478	17,478	-
Title III-E	-	92,084	-	92,084	92,084	-
Title VII - Elder Abuse	-	2,648	-	2,648	2,648	-
Title VII - Ombudsman	-	19,418	-	19,418	19,418	-
NSIP	-	36,754	-	36,754	36,754	-
<i>Other Federal</i>						
VICAP-(PY 03/31/19 Award)	-	7,160	-	7,160	7,160	-
VICAP-(PY 03/31/19 Award)	-	22,967	-	22,967	22,967	-
DMAS Ombudsman FY 19	-	2,337	-	2,337	2,337	-
MIPPA - Priority 1 - SHIP	-	2,836	-	2,836	2,836	-
MIPPA - Priority 2- AAA	-	9,726	-	9,726	9,726	-
CDSME Grant	-	1,402	-	1,402	1,402	-
VHQC Diabetes Self Mgt. Program	-	585	-	585	585	-
<i>General Funds</i>						
OAA General-(PY 06/30/19)	-	62,069	-	62,069	62,069	-
Community Based-(PY 06/30/19)	-	55,523	-	55,523	55,523	-
Transportation-(PY 06/30/19)	-	46,767	-	46,767	46,767	-
Home Delivered Meals-(PY 06/30/19)	-	143,738	-	143,738	143,738	-
Supplemental Nutrition-(PY 06/30/19)	-	28,795	-	28,795	28,795	-
Ombudsman-(PY 06/30/19)	-	11,763	-	11,763	11,763	-
Care Coordination CCEVP- (PY 06/30/19)	-	65,411	-	65,411	65,411	-
Senior Cool Care	-	5,000	-	5,000	5,000	-
Fees & Other Non-OAA	281,026	859,061	-	1,140,087	819,019	321,068
Totals	\$ 281,026	\$ 2,129,099	\$ -	\$ 2,410,125	\$ 2,089,057	\$ 321,068

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

SUPPLEMENTAL SCHEDULE OF DARS COSTS BY PROGRAM ACTIVITY Year Ended September 30, 2019

Fund	Costs to Federal III B Funds	Costs to Federal III C-1 Funds	Costs to Federal III C-2 Funds	Costs to Federal III D Funds	Costs to Federal III E Funds	Costs to Federal VII Eld. Ab. Funds	Costs to Federal VII OMB Funds	Voluntary Contribut.
Title III (Except III-E), <i>Older Americans Act</i> Funds								
Adult Day Care	\$ 20,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Comm. Referral Info. & Assist.	78,697	-	-	-	-	-	-	-
Options Counseling	38,589	-	-	-	-	-	-	-
Transportation	75,699	-	-	-	-	-	-	-
Congregate Meals	-	212,855	-	-	-	-	-	102,703
Home Delivered Meals	-	-	120,286	-	-	-	-	15,678
Disease Prevention	-	-	-	17,478	-	-	-	-
Emergency Services	4,646	-	-	-	-	-	-	-
Public Information & Education	20,194	-	-	-	-	-	-	-
Socialization/Recreation	-	-	-	-	-	-	-	54,472
Volunteer Programs	-	-	-	-	-	-	-	-
Legal Assistance	3,100	-	-	-	-	-	-	-
Elder Abuse Prevention	11,353	-	-	-	-	2,648	-	-
LTC Ombudsman Program	-	-	-	-	-	-	19,418	-
Prep. and Admin.	49,188	-	-	-	-	-	-	-
Title III-E, <i>Older Americans Act</i> Funds								
Adult Day Care	-	-	-	-	92,084	-	-	-
Total Title III & Title VII								
	\$ 302,436	\$ 212,855	\$ 120,286	\$ 17,478	\$ 92,084	\$ 2,648	\$ 19,418	\$ 172,853

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

SUPPLEMENTAL SCHEDULE OF DARS COSTS BY PROGRAM ACTIVITY (CONTINUED) Year Ended September 30, 2019

Fund	Costs to Other Non- Fed Funds	Fees	DMAS Ombudsman	Costs to NSIP Funds	Costs to G.F. OAA General Funds	Costs to G.F. Comm. Based Funds	Costs to G.F. Transport Funds
Title III (Except III-E), <i>Older Americans Act</i> Funds							
Adult Day Care	\$ 22,804	\$ 30,700	\$ -	\$ -	\$ -	\$ 55,523	\$ -
Comm. Referral Info. & Assist.	1,123	-	-	-	-	-	-
Options Counseling	16,035	-	-	-	-	-	-
Transportation	80,520	-	-	-	-	-	46,767
Congregate Meals	300,481	-	-	36,754	48,511	-	-
Home Delivered Meals	95,484	-	-	-	-	-	-
Disease Prevention	416	-	-	-	-	-	-
Emergency Services	5,250	-	-	-	-	-	-
Public Information & Education	7	-	-	-	-	-	-
Socialization/Recreation	-	-	-	-	-	-	-
Volunteer Programs	1,773	-	-	-	13,558	-	-
Legal Assistance	-	-	-	-	-	-	-
Elder Abuse Prevention	380	-	-	-	-	-	-
LTC Ombudsman Program	11,383	-	2,337	-	-	-	-
Prep. and Admin.	18,670	-	-	-	-	-	-
Title III-E, <i>Older Americans Act</i> Funds							
Adult Day Care	30,696	3,000	-	-	-	-	-
Total Title III & Title VII	\$ 585,022	\$ 33,700	\$ 2,337	\$ 36,754	\$ 62,069	\$ 55,523	\$ 46,767

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

SUPPLEMENTAL SCHEDULE OF DARS COSTS BY PROGRAM ACTIVITY (CONTINUED) Year Ended September 30, 2019

Fund	Costs to G.F. HD Meals Funds	Costs to G.F. Supp Nutrition Funds	Costs to G.F. CCEVP Funds	Costs to G.F. Ombuds Funds	Total Title III & VII Costs
Title III (Except III-E), <i>Older Americans Act</i> Funds					
Adult Day Care	\$ -	\$ -	\$ -	\$ -	\$ 129,997
Comm. Referral Info. & Assist.	-	-	-	-	79,820
Options Counseling	-	-	65,411	-	120,035
Transportation	-	-	-	-	202,986
Congregate Meals	-	28,795	-	-	730,099
Home Delivered Meals	143,738	-	-	-	375,186
Disease Prevention	-	-	-	-	17,894
Emergency Services	-	-	-	-	9,896
Public Information & Education	-	-	-	-	20,201
Socialization/Recreation	-	-	-	-	54,472
Volunteer Programs	-	-	-	-	15,331
Legal Assistance	-	-	-	-	3,100
Elder Abuse Prevention	-	-	-	-	14,381
LTC Ombudsman Program	-	-	-	11,763	44,901
Prep. and Admin.	-	-	-	-	67,858
Title III-E, <i>Older Americans Act</i> Funds	-	-	-	-	-
Adult Day Care	-	-	-	-	125,780
Total Title III & Title VII	\$ 143,738	\$ 28,795	\$ 65,411	\$ 11,763	\$ 2,011,937

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

SUPPLEMENTAL SCHEDULE OF STATUS OF DARS INVENTORIES Year Ended September 30, 2019

<u>Fund Source and Type of Inventory</u>	<u>Value on Hand October 1, 2018</u>	<u>Increase (Decrease) During Period</u>	<u>Value on Hand September 30, 2019</u>
Title III-C(1) <i>Older Americans Act</i>	\$ 10,229	\$ 1,038	\$ 11,267
Title III-C(2) <i>Older Americans Act</i>	5,946	671	6,617
Other Funds - Transportation	40,907	-	40,907
Totals	<u>\$ 57,082</u>	<u>\$ 1,709</u>	<u>\$ 58,791</u>

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**COMPLIANCE
SECTION**

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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 Honorable Members of the Board of Directors
Rappahannock Rapidan Community Services
Culpeper, Virginia

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Rappahannock Rapidan Community Services** (the **Agency**), which are comprised of the Statements of Net Position as of June 30, 2020, the related Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows for the year then ended, and the related Notes to the Financial Statements, and have issued our report thereon dated November 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **Agency's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Agency's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Agency's** 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 **Agency'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.

To the Honorable Members of the Board of Directors
Rappahannock Rapidan Community Services

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Agency'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 determination of financial statement amounts. 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 **Agency'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 **Agency's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Sned Williams and Mark" followed by a stylized flourish or initials.

November 19, 2020
Danville, Virginia

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

To the Honorable Members of the Board of Directors
Rappahannock Rapidan Community Services
Culpeper, Virginia

Report on Compliance for Each Major Federal Program

We have audited **Rappahannock Rapidan Community Services'** (the **Agency**) 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 major federal programs for the year ended June 30, 2020. The **Agency's** major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

The **Agency's** financial statements include the operations of component unit organizations Orange Group Home Corporation, High Point Group Home Corporation, Canterbury Group Home Corporation, Rappahannock Elder Housing Corporation, and Developmental Housing Corporation, which received, in the aggregate, a total of \$3,506,051 in federal awards which are not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2020. 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 accordance 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 **Agency'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

To the Honorable Members of the Board of Directors
Rappahannock Rapidan Community Services

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 could have a direct and material effect on a major federal program that occurred. An audit includes examining, on a test basis, evidence about the **Agency'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 **Agency's** compliance.

Opinion on Each Major Federal Program

In our opinion, the **Agency**, 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, 2020.

Report on Internal Control Over Compliance

Management of the **Agency** 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 **Agency'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 **Agency's** internal control over compliance.

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

To the Honorable Members of the Board of Directors
Rappahannock Rapidan Community Services

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

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

A handwritten signature in black ink, appearing to read "Sned Williams and Mark Mayhe", followed by the letters "PLLC" in a smaller, less distinct script.

November 19, 2020
Danville, Virginia

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RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2020

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Pass-through Entity Identifying Number	Federal Expenditures (\$)
United States Department of Housing and Urban Development			
Pass-Through Payments			
Virginia Housing Development Authority			
Section 8 Housing Choice Vouchers	14.871	Not Available	13,643
Total United States Department of Housing and Urban Development			13,643
United States Department of Education			
Pass-Through Payments			
Virginia Department of Behavioral Health and Developmental Services			
Special Education-Grants for Infants and Families	84.181	Not Available	106,261
Total United States Department of Education			106,261
United States Department of Health and Human Services			
Pass-Through Payments			
Virginia Department of Behavioral Health and Developmental Services			
Substance Abuse and Mental Health Services - Projects of			
Regional and National Significance	93.243	Not Available	143,151
Opioid STR	93.788	Not Available	216,694
Block Grants for Community Mental Health Services	93.958	Not Available	557,275
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not Available	857,575
Virginia Department for the Aging			
Aging Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	112123, 114551, 116344, 117233	225,481
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	112124, 112125, 114540, 114550, 116342, 116343 116821, 116822	360,561
Nutrition Services Incentive Program	93.053	114544, 116345	25,245
Total Aging Cluster			611,287
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	114549, 116335	2,409
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	114471, 116334	7,783
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	114543, 116341	18,981

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) Year Ended June 30, 2020

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Pass-through Entity Identifying Number	Federal Expenditures (\$)
Virginia Department for the Aging (Continued)			
National Family Caregiver Support, Title III, Part E	93.052	114541, 116340	70,619
Medicare Enrollment Assistance Program	93.071	114546	3,703
State Health Insurance Assistance Program	93.324	117058, ARS44118	25,889
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs - financed by Prevention and Public Health Funds (PPHF)	93.734	109996	27
Medical Assistance Program	93.778	ARS46200	2,123
Total United States Department of Health and Human Services			2,517,516
United States Department of Transportation			
Pass-Through Payments			
Virginia Department of Transportation			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Not Available	305,513
Total United States Department of Transportation			305,513
Total Expenditures of Federal Awards			\$ 2,942,933

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) Year Ended June 30, 2020

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of **Rappahannock Rapidan Community Services** (the **Agency**) and is presented on the accrual basis of accounting. 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 the **Agency**, it is not intended to and does not present the financial position, changes in net position, or cash flows of the **Agency**.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Items not Included in the Schedule

USDA Rural Development loan balances at June 30, 2020, for which only the payment of debt service is the compliance requirement	\$ 7,304,269
Component unit federal awards/assistance	<u>3,506,051</u>
Total not included in the Schedule	<u>\$ 10,810,320</u>

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2020

I. Summary of Auditors' Results

- A. The auditors' report expresses an unmodified opinion on the financial statements of **Rappahannock Rapidan Community Services** (the **Agency**).
- B. No material weaknesses were identified during the audit of the financial statements.
- C. No instances of noncompliance material to the financial statements of the **Agency** were disclosed during the audit.
- D. No material weaknesses were identified during the audit of the major federal award programs.
- E. The auditors' report on compliance for the major federal award programs for the **Agency** expresses an unmodified opinion.
- F. The audit disclosed no audit findings that are required to be reported in accordance with the Uniform Guidance.
- G. The programs tested as major programs were:

<u>Program Name</u>	<u>CFDA#</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959
The Aging Cluster	
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045
Nutrition Services Incentive Program	93.053

- H. The threshold for distinguishing Type A and Type B programs was \$750,000.
- I. The **Agency** was determined to be a low-risk auditee.

II. Findings Related to the Audit of the Financial Statements of the **Agency**

None

III. Findings and Questioned Costs Related to the Audit of Federal Awards

None

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2020

None

