RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

CULPEPER, VIRGINIA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

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RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

CULPEPER, VIRGINIA

Board of Directors

Eve Brooks, Chair

Janis Rieley, Vice Chair

Dr. Norman Reid, Secretary

Gary Aichele	Dustin Dawson
Richard Brooking	Valerie Ward
Chris Jenkins	Scott Bennett
Dr. Charles A. Stein	Shel Bolyard-Douglas
Ann Baumgardner	Robert Weigel
Robert Fuqua	Tom Pratt

Principal Management Team

James LaGraffe	Executive Director
Sheryl Reinstrom	Associate Executive Director
Georgene Brown	Senior Director of Finance & Adminitrative Services
Vacant	Senior Director of Human Resources
Ryan Banks	Senior Director of Behavioral Health Services
Barbara Cason	Director of Information Technology
Paula Stone	Director of Case Management Services
Ray Parks	Director of Aging & Program Support Services
Sheri Sobkowiak	Director of Intellectual & Developmental Disability Services
Kim Marcy	Director of Facilities Management & Housing Services
Donald James	Director of Quality Improvement
Taisha Chavez	Director of Children's Services
Tammy Barboza	Director of Communications and Public Relations

Rappahannock-Rapidan Community Services Board
and Area Agency on Aging

Organizational Structure
Executive Leadership Team
& Agency Services

Jim LaGraffe
Executive Director

Sheryl Reinstrom
Associate Executive Director

Sheri Sobkowiak – Director, Case Management Services
- I/DD Support Coordination
- MH Support Coordination
- Clinical Supervision
- PSH Services

Ray Parks – Director, Aging & Program Support Services
- Health and Caregiver Support Services
- Aging Support Coordination
- Transportation Services
- Nutrition & Volunteer Services
- Central Kitchen

Lorraine Sheffield – Director, Intellectual & Developmental Disability Services
- ID Skilled Nursing
- DD Day Supports
- DD Community Living

Taisha Chavez – Director, Children's Services
- LINK Services
- SED Case Management
- Infant & Toddler Connection
- Prevention Services
- Parent-Child Interaction Therapy (PCIT)

Donald Janes – Director, Quality Improvement
- Quality Assurance
- Licensing
- Incident Reporting

Kim Marcey – Director, Facilities Management & Housing Services
- Facilities Maintenance
- Housing Services

Georgene Brown – Senior Director, Finance & Administrative Services
- Administrative Services
- Reimbursement
- Procurement
- Accounting

Shirley Diaz – Senior Director, Human Resources
- Benefits
- Recruiting
- Staff Development

Ryan Banks – Senior Director, Behavioral Health Services
- MH / SUD Outpatient Services
- SUD Inpatient Services
- MH Residential Supports
- Peer Recovery Support Services
- SEE Recovery Center
- Clinic Operations
- Hospital Liaison
- Medical Services
- Crisis Services

Duncan Graham – Director, Information Technology
- Network Administration
- Systems Applications
- User Support

Tammy Barboza – Director, Communications & Public Relations

Abbreviations:
I/DD – Intellectual & Developmental Disabilities
MH – Mental Health
SUD – Substance Use Disorder
SED – Serious Emotional Disturbance
PSH – Permanent Supported Housing

Updated: 06/29/22

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Rappahannock Rapidan Community Services as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Rappahannock Rapidan Community Services' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of Rappahannock Rapidan Community Services, as of June 30, 2022, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rappahannock Rapidan Community Services, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 17 to the financial statements, in 2022, Rappahannock Rapidan Community Services adopted new accounting guidance, GASB Statement Nos. 84, *Fiduciary Activities* and 87, *Leases*. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 17 to the financial statements, in 2022, Rappahannock Rapidan Community Services restated beginning balances to reflect the requirements of GASB Statement No. 84. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rappahannock Rapidan Community Services' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rappahannock Rapidan Community Services' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rappahannock Rapidan Community Services' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rappahannock Rapidan Community Services' basic financial statements. The accompanying combining financial statements and supplemental schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and supplemental schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the legend of expense categories but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

Other auditors have previously audited the Rappahannock Rapidan Community Services' 2021 financial statements, and expressed an unmodified audit opinion on those audited financial statements in the report dated November 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022, on our consideration of Rappahannock Rapidan Community Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rappahannock Rapidan Community Services' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rappahannock Rapidan Community Services' internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
November 30, 2022

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2022 and 2021

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, 2022 and 2021. 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) Statement of Net Position; (2) Statement of Revenues, Expenses, and Changes in Net Position; and (3) Statement 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 Statement 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 and deferred outflows of resources over liabilities and deferred inflows of resources is its equity, or net position. The Statement of Revenues, Expenses, and Changes in Net Position reports the changes in the Agency's net position. The Statement of Cash Flows reports the Agency's cash transaction activity and reconciles this activity to the operating income (loss).

Financial Summary

Financial Position

A summary of the Agency's Statement of Net Position for 2022, 2021, and 2020 is presented as follows:

Condensed Statement of Net Position

	2022	2021	Restated 2020
Current assets	$ 9,678,734	$ 7,412,281	$ 7,463,086
Current assets, restricted	871,970	645,792	482,695
Capital assets, net of accumulated depreciation	20,150,776	20,839,190	21,495,227
Noncurrent assets	13,255,313	6,867,891	8,199,937
Total assets	$ 43,956,793	$ 35,765,154	$ 37,640,945
Deferred outflows of resources	1,245,345	$ 1,547,656	$ 795,030
Current liabilities	$ 3,280,184	$ 2,232,568	$ 2,040,842
Current liabilities from restricted assets	10,479	102,295	102,307
Long-term liabilities	8,556,348	9,028,812	11,012,538
Total liabilities	$ 11,847,011	$ 11,363,675	$ 13,155,687
Deferred inflows of resources	$ 5,848,578	$ 263,991	$ 545,209
Net investment in capital assets	$ 12,434,594	$ 12,885,303	$ 13,156,127
Net position, restricted	14,385,639	8,188,364	8,139,067
Net position, board designated	95,690	95,690	95,690
Net position, unrestricted	590,626	4,515,787	3,344,195
Total net position	$ 27,506,549	$ 25,685,144	$ 24,735,079

Financial Summary (Continued)

Financial Position (Continued)

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 2.89, 3.32, and 3.66 for 2022, 2021, and 2020, respectively.

The portion of net position which represents the amount the Agency has invested in capital assets, net of related capital debt, increased approximately 5.37% from 2020 to 2021 and decreased approximately 2.06% from 2021 to 2022. Temporarily restricted net position primarily consists of the Agency's net pension asset and other associated balances. From 2020 to 2021, temporarily restricted net position increased by approximately 7.05% and increased approximately 0.61% from 2021 to 2022.

Changes in Net Position

A summary of the Agency's Statement of Revenues, Expenses, and Changes in Net Position for 2022, 2021, and 2020 is presented as follows:

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2022	2021	Restated 2020
Operating revenues	$ 8,801,599	$ 7,601,789	$ 8,473,581
Operating expenses	(25,507,311)	(23,376,843)	(22,388,511)
Operating (loss)	$ (16,705,712)	$ (15,775,054)	$ (13,914,930)
Nonoperating revenues (expenses)			
Appropriations from governments	$ 16,438,551	$ 13,476,135	$ 11,931,520
Interest income	11,614	3,296	9,218
Contributions	-	1,058,860	1,217,145
PPP loan forgiveness	-	1,772,383	602,617
Other	2,369,759	721,015	3,045,700
Interest expense	(292,807)	(306,570)	(300,516)
Net nonoperating revenues (expenses)	$ 18,527,117	$ 16,725,119	$ 16,505,684
Change in net position	$ 1,821,405	$ 950,065	$ 2,590,754
Net position, beginning of year	25,685,144	24,735,079	22,144,325
Net position, end of year	$ 27,506,549	$ 25,685,144	$ 24,735,079

Financial Summary (Continued)

Financial Position (Continued)

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

		2022		2021		Restated 2020
Revenues						
Net service revenue	$	8,801,599	$	7,601,789	$	8,473,581
State		9,850,357		8,007,031		7,388,430
Federal		4,413,640		3,850,391		3,245,692
Local		2,174,554		1,618,713		1,297,398
Interest income		11,614		3,296		9,218
Other		2,369,759		3,552,258		4,865,462

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

		2022		2021		Restated 2020
Expenses						
Salaries and benefits	$	17,671,150	$	17,090,960	$	15,992,433
Staff development		195,181		115,020		92,168
Facilities		1,907,456		1,459,766		1,291,526
Supplies		2,578,025		2,052,374		2,193,591
Travel		713,084		457,910		700,492
Contractual and consulting		888,539		811,164		894,842
Depreciation		1,079,740		1,031,388		926,592
Other		474,136		358,261		296,867
Interest expense		292,807		306,570		300,516

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 2020 to 2021, the Agency had a decrease in operating revenue of approximately 10.29%. From 2021 to 2022, the Agency had an increase in operating revenue of approximately 15.78%.

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 2020 to 2021, operating expenses increased by approximately 4.41%. From 2021 to 2022, operating expenses increased by approximately 8.94%.

Nonoperating revenue is comprised of income received as appropriations or grants as well as miscellaneous income. For 2022, appropriations from the State of Virginia constitute approximately 52.34% of nonoperating revenue, while grants from the Federal Government and appropriations from local governments constitute approximately 23.45% and 11.55%, respectively.

From 2020 to 2021, nonoperating revenue increased by approximately 1.34%. From 2021 to 2022, nonoperating revenue increased by approximately 10.50%.

Financial Summary (Continued)

Cash Flows

A summary of the Agency's Statement of Cash Flows for 2022, 2021, and 2020 is presented as follows:

Condensed Statement of Cash Flows

		2022		2021		Restated 2020
Net cash (used) by operating activities	$	(15,664,510)	$	(14,494,043)	$	(12,963,192)
Net cash provided by noncapital financing activities		18,832,932		15,351,827		14,551,020
Net cash provided (used) by capital and financing activities		(899,496)		(716,721)		821,510
Net cash provided by investing activities		11,614		3,296		9,218
Net increase (decrease) in cash and cash equivalents	$	2,280,540	$	144,359	$	2,418,556
Cash and cash equivalents, beginning of year		6,713,998		6,569,639		4,151,083
Cash and cash equivalents, end of year	$	8,994,538	$	6,713,998	$	6,569,639

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

Cash flows from operating activities reconcile the operating (loss) recorded on the Statement 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 Statement 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 summary 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.

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:

	2022	2021	Restated 2020
Land	8%	8%	8%
Construction in progress	0%	0%	3%
Buildings and improvements	78%	77%	77%
Furniture, fixtures, and equipment	3%	3%	3%
Vehicles	11%	12%	9%

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.

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 $3,499,831 at June 30, 2022. 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 $420,849 at June 30, 2022.

The Agency has two other loans with Rural Development for the construction of the Boxwood Treatment Facility. The balance owed on these loans was $3,545,027 at June 30, 2022.

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, 2022 was $246,793.

The Agency has a loan with Fauquier County dated May 21, 2020 which was used to renovate a property owned by the county. The balance of the loan at June 30, 2022 was $424,531.

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

Paycheck Protection Program

The Agency received $2,375,000 during 2020 through the Small Business Association (SBA) in connection with the Paycheck Protection Program due to the COVID-19 pandemic. These funds were previously classified in 2020 as a liability because the loan had not been forgiven at the time the financial statements were issued. The loan was forgiven in 2021. Since a portion of the loan forgiveness was attributable to personnel expenses in 2020, a portion of the revenue from the forgiveness was recognized in 2020 and the 2020 financial statements were restated, accordingly.

Overall Summary

The Statement of Net Position reflects that on June 30, 2022, the Agency had 2.95 times more current assets than current liabilities.

The Statement of Revenues, Expenses, and Changes in Net Position reports that the net position of the Agency increased by $1,821,405 during 2022 as a result of operations.

The Statement of Cash Flows report that cash increased by $2,280,540 in 2022.

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

Statement of Net Position
At June 30, 2022
(With Comparative Totals for 2021)

		2022		2021
ASSETS				
Current Assets:				
Cash and cash equivalents	$	8,122,568	$	6,160,805
Accounts receivable, less allowance for uncollectibles		1,227,933		1,043,287
Accrued revenue		46,908		62,562
Leases receivable, current portion		166,650		-
Prepaid items		114,675		145,627
Total current assets	$	9,678,734	$	7,412,281
Restricted Assets:				
Cash and cash equivalents	$	871,970	$	553,193
Client funds		-		92,599
Total restricted assets	$	871,970	$	645,792
Capital Assets:				
Property and equipment, less accumulated depreciation	$	20,150,776	$	20,839,190
Other Assets:				
Net pension asset	$	13,245,724	$	6,867,891
Leases receivable, net of current portion		9,589		-
Total other assets	$	13,255,313	$	6,867,891
Total assets	$	43,956,793	$	35,765,154
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$	1,015,513	$	1,394,750
OPEB related items		212,128		132,292
Deferred charge on refunding		17,704		20,614
Total deferred outflows of resources	$	1,245,345	$	1,547,656
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	$	1,917,224	$	961,477
Accrued interest		9,116		-
Compensated absences		1,121,867		1,047,233
Loans payable, current portion		170,697		59,420
Bond payable, current portion		61,280		164,438
Total current liabilities	$	3,280,184	$	2,232,568
Liabilities Payable from Restricted Assets:				
Client funds	$	-	$	92,599
Tenant security deposits		10,479		9,696
Total liabilities payable from restricted assets	$	10,479	$	102,295
Long-term Liabilities:				
Bonds payable, net of current portion	$	359,570	$	421,659
Loans payable, net of current portion		7,545,485		7,715,994
Net OPEB liability		651,293		891,159
Total long-term liabilities	$	8,556,348	$	9,028,812
Total liabilities	$	11,847,011	$	11,363,675
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$	5,406,400	$	204,096
OPEB related items		273,184		59,895
Lease related items		168,994		-
Total deferred inflows of resources	$	5,848,578	$	263,991
NET POSITION				
Net investment in capital assets	$	12,013,744	$	12,885,303
Restricted		14,385,639		8,188,364
Unrestricted - board designated		95,690		95,690
Unrestricted		1,011,476		4,515,787
Total net position	$	27,506,549	$	25,685,144

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

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022
(With Comparative Totals for 2021)

		2022		2021
Operating revenue:				
Net patient service revenue	$	8,801,599	$	7,601,789
Operating expenses:				
Salaries and benefits	$	17,671,150	$	17,090,960
Staff development		195,181		115,020
Facilities		1,907,456		1,459,766
Supplies		2,578,025		2,052,374
Travel		713,084		457,910
Contractual and consulting		888,539		811,164
Depreciation		1,079,740		1,031,388
Other		474,136		358,261
Total operating expenses	$	25,507,311	$	23,376,843
Operating income (loss)	$	(16,705,712)	$	(15,775,054)
Nonoperating income (expense):				
Appropriations from governments:				
Commonwealth of Virginia	$	9,850,357	$	8,007,031
Federal government		4,413,640		3,850,391
Local governments		2,174,554		1,618,713
Other		2,369,759		1,779,875
PPP loan forgiveness		-		1,772,383
Interest income		11,614		3,296
Interest expense		(292,807)		(306,570)
Net nonoperating income (expense)	$	18,527,117	$	16,725,119
Change in net position	$	1,821,405	$	950,065
Net position, beginning of year		25,685,144		24,735,079
Net position, end of year	$	27,506,549	$	25,685,144

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

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

Statement of Cash Flows
Year Ended June 30, 2022
(With Comparative Totals for 2021)

		2022		2021
Cash flows from operating activities:				
Receipts from customers	$	8,770,919	$	7,761,151
Payments to suppliers		(5,580,206)		(5,361,949)
Payments to and for employees		(18,855,223)		(16,893,245)
Net cash flow provided by (used for) operating activities	$	(15,664,510)	$	(14,494,043)
Cash flows from noncapital financing activities:				
Government grants	$	16,460,493	$	13,294,464
Other		2,372,439		2,057,363
Net cash flow provided by (used for) noncapital financing activities	$	18,832,932	$	15,351,827
Cash flows from capital and related financing activities:				
Purchase of capital assets	$	(391,327)	$	(195,555)
Principal payments on mortgages and loans payable		(224,479)		(216,537)
Interest expense		(283,690)		(304,629)
Net cash flow provided by (used for) capital and related financing activities	$	(899,496)	$	(716,721)
Cash flows from investing activities:				
Interest income	$	11,614	$	3,296
Net increase (decrease) in cash and cash equivalents	$	2,280,540	$	144,359
Cash and cash equivalents, beginning of year (including restricted cash of $553,193)		6,713,998		6,569,639
Cash and cash equivalents, end of year (including restricted cash of $871,970)	$	8,994,538	$	6,713,998
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$	(16,705,712)	$	(15,775,054)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation		1,079,740		1,031,388
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase)/decrease in:				
Accounts receivable		(187,166)		159,360
Accrued revenue		-		(30,186)
Lease receivables		156,486		-
Prepaid items		30,952		(105,444)
Net pension asset		(6,377,833)		-
Deferred outflows of resources		302,311		-
Increase/(decrease) in:				
Accounts payable and accrued expenses		949,459		28,179
Compensated absences		74,634		171,545
Net OPEB liability		(239,866)		26,169
Deferred inflows of resources		5,251,862		-
Other		623		-
Net cash provided by (used for) operating activities	$	(15,664,510)	$	(14,494,043)
Noncash capital and related financing activities:				
Grant received for vehicles	$	-	$	181,670

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

Statement of Fiduciary Net Position
Fiduciary Funds
At June 30, 2022

		Private-Purpose Trust Funds
Assets		
Cash and cash equivalents	$	68,155
Net Position		
Restricted:		
Client funds	$	68,155

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

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

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

		Private-Purpose Trust Funds
Additions:		
Client funds income	$	316,204
Interest income		10
Total additions	$	316,214
Deductions:		
Housing	$	206,630
Client's personal use of funds		134,028
Total deductions	$	340,658
Net increase (decrease) in fiduciary net position	$	(24,444)
Net position, beginning of the year, as restated		92,599
Net position, ending of the year		68,155

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

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 Rappahannock Rapidan Community Services' 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 statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Agency has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has multiple items that qualify for reporting in this category. It is comprised of certain items related to pension, OPEB, and leases. For more detailed information on these items, reference the related notes.

Note 1–Summary of Significant Accounting Policies: (Continued)

Basis of Accounting

Rappahannock Rapidan Community Services is funded by federal, state, and local funds and fees. 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.

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) (the Act), 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 patient 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.

Note 1–Summary of Significant Accounting Policies: (Continued)

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, 2022 and 2021, was $1,079,740 and $1,031,388, 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.

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.

Note 1–Summary of Significant Accounting Policies: (Continued)

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

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund 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 before unrestricted net position is applied.

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.

Note 1−Summary of Significant Accounting Policies: (Continued)

Pension Plan

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

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 fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Leases

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

Lessor

The Agency recognizes leases receivable and deferred inflows of resources. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentive).

Note 1–Summary of Significant Accounting Policies: (Continued)

Leases: (Continued)

Key Estimates and Judgments

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

- The Agency uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Agency uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease receivable (lessor).

The Agency monitors changes in circumstances that would require a remeasurement or modification of its leases. The Agency will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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:

	2022	2021
Restricted cash and cash equivalents		
Debt reserve funds	$ 675,634	$ 407,624
HUD programs	196,336	145,569
Total cash and cash equivalents	$ 871,970	$ 553,193

Note 2–Deposits and Investments: (Continued)

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

	2022	2021
Reconciliation of cash and cash equivalents		
Cash on hand	$ 8,175	$ 8,175
Cash on deposit with banks	8,986,363	6,705,823
Total cash and cash equivalents	$ 8,994,538	$ 6,713,998

Note 3–Accounts Receivable and Accrued Revenue

Deposits

At June 30, 2022 and 2021, the Agency had accounts receivable and accrued revenue due, net of allowance for uncollectible accounts of $519,523 and $692,032, respectively, from the following primary sources:

	2022	2021
Virginia Dept. of Medical Assistance Services (Medicaid)	$ 685,425	$ 492,584
Direct individual, third party, and other	542,508	548,183
Other	46,908	65,082
Total	$ 1,274,841	$ 1,105,849

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:

	2022	2021
Prepayment on vehicle purchase	$ -	$ 75,227
Prepayment of insurance	1,731	1,731
Note payment	-	2,588
Purchase deposit	49,867	2,486
Service contracts	63,077	63,595
Total	$ 114,675	$ 145,627

Note 5–Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	$ 2,363,362	$ -	$ -	$ 2,363,362
Construction in progress	30,638	7,790	-	38,428
Total capital assets not being depreciated	$ 2,394,000	$ 7,790	$ -	$ 2,401,790
Capital assets being depreciated				
Buildings and improvements	$ 23,269,537	$ 75,315	$ -	$ 23,344,852
Furniture, fixtures, and equipment	809,123	32,869	1,799	840,193
Vehicles	2,979,528	275,352	-	3,254,880
Total capital assets being depreciated	$ 27,058,188	$ 383,536	$ 1,799	$ 27,439,925
Accumulated depreciation				
Buildings and improvements	$ 5,786,179	$ 661,163	$ -	$ 6,447,342
Furniture, fixtures, and equipment	660,409	41,127	1,799	699,737
Vehicles	2,166,410	377,450	-	2,543,860
Total accumulated depreciation	$ 8,612,998	$ 1,079,740	$ 1,799	$ 9,690,939
Net capital assets being depreciated	$ 18,445,190	$ (696,204)	$ -	$ 17,748,986
Total net capital assets	$ 20,839,190	$ (688,414)	$ -	$ 20,150,776
Reconciliation of increases in accumulated depreciation to depreciation and amortization expense in the Statements of Revenues, Expenses, and Changes in Net Position Depreciation Expense		$ 1,079,740		

Note 6–Leases Receivable

The Agency owns real estate in Culpeper, Virginia and the surrounding areas, and rents seven properties to various tenants for varying terms ranging from 3 to 6 years. On July 1, 2021 the Agency recorded an initial lease receivable and deferred inflow of resources of $332,725, as the present value of the future minimum rent payments expected to be received during the lease term. In fiscal year 2022, the Agency recognized $156,486 of lease revenue and $11,606 of interest under these leases.

Note 7–Compensated Absences

The Agency's employees earn leave based on length of service. The Agency has outstanding accrued leave pay totaling $1,121,867 and $1,047,233 at June 30, 2022 and 2021, respectively. All amounts for accrued leave are considered to be current liabilities.

Note 8–Pension Plan

Plan Description

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

Benefit Structures

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

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

b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Note 8–Pension Plan: (Continued)

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

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

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	157
Inactive members:	
Vested inactive members	59
Non-vested inactive members	200
Inactive members active elsewhere in VRS	111
Total inactive members	370
Active members	270
Total covered employees	797

Contributions

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

The Agency's contractually required employer contribution rate for the year ended June 30, 2022 was 0.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Agency were $0 and $0 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Asset

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

Note 8—Pension Plan: (Continued)

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

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

Mortality rates:

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Actuarial Assumptions – General Employees

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

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

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

Note 8—Pension Plan: (Continued)

Long-Term Expected Rate of Return (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Agency was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	$ 33,005,986	$ 39,873,877	$ (6,867,891)
Changes for the year:			
Service cost	$ 940,365	$ -	$ 940,365
Interest	2,162,784	-	2,162,784
Differences between expected and actual experience	541,232	-	541,232
Assumption changes	1,243,609	-	1,243,609
Contributions - employee	-	511,517	(511,517)
Net investment income	-	10,780,776	(10,780,776)
Benefit payments, including refunds	(1,929,472)	(1,929,472)	-
Administrative expenses	-	(27,480)	27,480
Other changes	-	1,010	(1,010)
Net changes	$ 2,958,518	$ 9,336,351	$ (6,377,833)
Balances at June 30, 2021	$ 35,964,504	$ 49,210,228	$ (13,245,724)

Note 8–Pension Plan: (Continued)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Agency's Net Pension Liability (Asset)	$ (8,799,740)	$ (13,245,724)	$ (16,930,267)

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

For the year ended June 30, 2022, the Agency recognized pension expense of $(796,292). At June 30, 2022, 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	$ 307,942	$ 57,264
Change in assumptions	707,571	-
Net difference between projected and actual earnings on pension plan investments	-	5,349,136
Total	$ 1,015,513	$ 5,406,400

$0 reported as deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	
2023	$ (542,078)
2024	(975,859)
2025	(1,245,344)
2026	(1,627,606)
2027	-
Thereafter	-

Note 8—Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 9—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional 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 plan, it is not included as part of the GLI Plan OPEB.

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,722 as of June 30, 2022.

Note 9—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were $67,747 and $62,364 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the entity reported a liability of $651,293 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was .05590% as compared to .05340% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of $23,874. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the employer 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	$ 74,282	$ 4,962
Net difference between projected and actual earnings on GLI OPEB plan investments	-	155,450
Change in assumptions	35,906	89,111
Changes in proportionate share	34,193	23,661
Employer contributions subsequent to the measurement date	67,747	-
Total	$ 212,128	$ 273,184

Note 9–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

$67,747 was reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. 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 Ended June 30		
2023	$	(34,893)
2024		(26,675)
2025		(21,510)
2026		(42,609)
2027		(3,116)
Thereafter		-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

Note 9–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Note 9—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	$	3,577,346
Plan Fiduciary Net Position		2,413,074
GLI Net OPEB Liability (Asset)	$	1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

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.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

Note 9–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return (Continued)

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 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.

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

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

		Rate	
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Agency's proportionate share of the GLI Plan Net OPEB Liability	$ 951,563	$ 651,293	$ 408,811

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10–Long-Term Obligations:

Summary of Changes in Long-Term Obligations

	Loans Payable	Bond Payable	Net OPEB liability	Compensated Absences
Balance at July 1, 2021	$ 7,880,432	$ 481,079	$ 891,159	$ 1,047,233
Add: Issuances / additions	-	-	228,150	74,634
Deduct: Retirements	164,250	60,229	468,016	-
Balance at June 30, 2022	$ 7,716,182	$ 420,850	$ 651,293	$ 1,121,867
Current Portion	$ 170,697	$ 61,280	$ -	$ 1,121,867

Additional detail for compensated absences is reported in Note 7.

Debt service requirements to maturity are as follows:

Year Ending June 30,	Loans Payable Principal	Loans Payable Interest	Bonds Payable Principal	Bonds Payable Interest
2023	$ 170,697	$ 275,992	$ 61,280	$ 13,119
2024	177,210	269,480	63,302	11,142
2025	183,985	262,704	65,391	9,100
2026	368,207	251,669	67,560	6,460
2027	178,564	239,529	69,840	4,148
2028-2032	996,578	1,093,885	71,406	2,625
2033-2037	1,195,744	894,718	22,071	1,565
2038-2042	1,372,875	655,470	-	-
2043-2047	1,538,107	385,061	-	-
2048-2052	942,506	139,792	-	-
2053-2057	591,709	33,429	-	-
Total	$ 7,716,182	$ 4,501,729	$ 420,850	$ 48,159

The Agency is in compliance with applicable federal arbitrage regulations.

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:

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.

Loans Payable	**Total**	**Current Portion**
$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	$ 2,723,150	$ 55,145
$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	821,877	18,474
$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	3,499,831	63,286
$295,000 Union loan dated January 17, 2019, with monthly installments of $2,383 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	246,793	16,062
$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.	424,531	17,730
Total loans payable	$ 7,716,182	$ 170,697
Public Facility Refunding Mortgage Bond		
In August 2015, $805,000 public facility refunding mortgage bond (the bond) was issued, at an interest rate of 3.20%. The bond was issued to refund the $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	$ 420,850	$ 61,280
Total	$ 8,137,032	$ 231,977

Note 10−Long-Term Obligations: (Continued)

The difference between the refunding 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 the deferred outflow of resources is reported as a component of interest expense. For the years ended June 30, 2022, and 2021, the amount reported as a deferred outflow of resources was $17,704 and $20,614, 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, 2022, and 2021, the Agency has met this requirement.

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.

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:

	2022	2021
County of Culpeper	$ 689,516	$ 485,316
County of Fauquier	791,431	619,438
County of Madison	177,629	110,113
County of Orange	424,745	332,440
County of Rappahannock	91,233	71,406
Total	$ 2,174,554	$ 1,618,713

Note 14–Net Patient Revenue Sources

Net patient revenues for 2022 and 2021 were from the following sources:

	2022	2021
Medicaid	$ 7,699,768	$ 6,652,650
Direct individual	146,960	175,419
Third party and other	954,871	773,720
Total	$ 8,801,599	$ 7,601,789

Note 15–Line of Credit

The Agency has a line of credit with a local bank in the amount of $1,000,000. There were zero draws on the line of credit for the year ending June 30, 2022.

Note 16–Restricted Net Position

Net position is restricted for the following purposes:

	2022	2021
Property taxes, insurance and other reserves	$ -	$ (49,924)
Pension plan	13,245,724	8,058,645
Post-employment benefits	-	(818,762)
Federal and/or state funds not expended at year end	1,139,915	998,405
Total restricted net position	$ 14,385,639	$ 8,188,364

The Board of Directors have designated funds for future capital improvements of the Agency. The balance of these funds at June 30, 2022 was $95,690.

Note 17–Adoption of Accounting Principles

The Agency implemented the provisions of GASB Statement Nos. 84, *Fiduciary Activities* and 87, *Leases*, during the fiscal year ended June 30, 2022. No restatement of beginning net position was required as a result of GASB Statement No. 87 implementation.

Note 17 Adoption of Accounting Principles: (Continued)

Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases:

	Business-type Activities
Lessor activity:	
Leases receivable	$ 332,725
Deferred inflows of resources - leases	$ 332,725

This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The implementation of this Statement resulted in the following restatement of net position.

	Fiduciary Funds
Implementation of GASB 84:	
Net position as restated at July 1, 2021	$ 92,599

Note 18–Upcoming Pronouncements

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

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

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

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

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

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

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

– Required Supplementary Information –

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2021

	2021	2020	2019
Total pension liability:			
Service cost	$ 940,365	$ 849,681	$ 818,960
Interest	2,162,784	2,106,598	2,018,919
Differences between expected and actual experience	541,232	(350,928)	126,448
Changes of assumptions	1,243,609	-	886,904
Benefit payments	(1,929,472)	(1,616,458)	(1,351,667)
Net change in total pension liability	$ 2,958,518	$ 988,893	$ 2,499,564
Total pension liability - beginning	33,005,986	32,017,093	29,517,529
Total pension liability - ending (a)	$ 35,964,504	$ 33,005,986	$ 32,017,093
Plan fiduciary net position:			
Contributions - employer	$ -	$ 41,817	$ 1,205
Contributions - employee	511,517	492,919	479,754
Net investment income	10,780,776	765,899	2,551,515
Benefit payments	(1,929,472)	(1,616,458)	(1,351,667)
Administrator charges	(27,480)	(26,431)	(25,560)
Other	1,010	(899)	(1,605)
Net change in plan fiduciary net position	$ 9,336,351	$ (343,153)	$ 1,653,642
Plan fiduciary net position - beginning	39,873,877	40,217,030	38,563,388
Plan fiduciary net position - ending (b)	$ 49,210,228	$ 39,873,877	$ 40,217,030
Agency's net pension liability (asset) - ending (a) - (b)	$ (13,245,724)	$ (6,867,891)	$ (8,199,937)
Plan fiduciary net position as a percentage of the total pension liability	136.83%	120.81%	125.61%
Covered payroll	$ 11,818,098	$ 11,508,066	$ 10,525,578
Agency's net pension liability (asset) as a percentage of covered payroll	-112.08%	-59.68%	-77.90%

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

	2018	2017	2016	2015	2014
	$ 856,857	$ 901,142	$ 966,693	$ 974,294	$ 965,751
	1,943,185	1,919,004	1,823,011	1,727,947	1,607,844
	(381,868)	(729,560)	(202,372)	(380,143)	-
	-	(376,797)	-	-	-
	(1,320,860)	(1,415,840)	(1,016,168)	(911,895)	(803,797)
	$ 1,097,314	$ 297,949	$ 1,571,164	$ 1,410,203	$ 1,769,798
	28,420,215	28,122,266	26,551,102	25,140,899	23,371,101
	$ 29,517,529	$ 28,420,215	$ 28,122,266	$ 26,551,102	$ 25,140,899
	$ 52,986	$ 60,304	$ 315,865	$ 322,538	$ 304,020
	484,223	673,999	501,632	491,619	480,982
	2,699,308	4,053,758	577,080	1,455,520	4,327,081
	(1,320,860)	(1,415,840)	(1,016,168)	(911,895)	(803,797)
	(23,489)	(23,673)	(20,435)	(19,736)	(23,099)
	(2,393)	(3,584)	(244)	(307)	228
	$ 1,889,775	$ 3,344,964	$ 357,730	$ 1,337,739	$ 4,285,415
	36,673,613	33,328,649	32,970,919	31,633,180	27,347,765
	$ 38,563,388	$ 36,673,613	$ 33,328,649	$ 32,970,919	$ 31,633,180
	$ (9,045,859)	$ (8,253,398)	$ (5,206,383)	$ (6,419,817)	$ (6,492,281)
	130.65%	129.04%	118.51%	124.18%	125.82%
	$ 10,143,368	$ 10,229,478	$ 10,179,505	$ 10,043,691	$ 9,548,973
	-89.18%	-80.68%	-51.15%	-63.92%	-67.99%

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

Schedule of Employer Contributions
Pension Plan
For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	$ -	$ -	$ -	$ 12,545,714	0.00%
2021	-	-	-	11,818,098	0.00%
2020	-	-	-	11,508,066	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%

* Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Schedule is intended to show information for 10 years. 2013 was not available.

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

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

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

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

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

Schedule of Agency's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.0559%	$ 651,293	$ 11,548,798	5.64%	67.45%
2020	0.0534%	891,159	11,508,066	7.74%	52.64%
2019	0.0539%	877,748	10,525,578	8.34%	52.00%
2018	0.0536%	814,000	10,143,368	8.02%	51.22%
2017	0.0561%	845,000	10,229,478	8.26%	48.86%

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

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2018 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	$ 67,747	$ 67,747	$ -	$ 12,545,714	0.54%
2021	62,364	62,364	-	11,548,798	0.54%
2020	41,817	41,817	-	11,508,066	0.36%
2019	42,015	42,015	-	10,525,578	0.40%
2018	54,000	54,000	-	10,143,368	0.53%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, additional years will be included as they become available.

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

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

– Other Supplementary Information –

Combining Financial Statements

Combining Statement of Net Position
At June 30, 2022

	Rappahannock Rapidan Community Services	Orange Group Home Corporation	High Point Group Home Corporation
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 8,122,568	$ -	$ -
Accounts receivable, less allowance for uncollectibles	1,227,933	-	-
Accrued revenue	228,937	-	-
Leases receivable, current portion	166,650	-	-
Prepaid items	114,675	-	-
Total current assets	$ 9,860,763	$ -	$ -
Restricted Assets:			
Cash and cash equivalents	$ 675,634	$ 12,099	$ 24,065
Capital Assets:			
Property and equipment, less accumulated depreciation	$ 17,900,092	$ 114,648	$ 150,082
Other Assets:			
Net pension asset	$ 13,245,724	$ -	$ -
Leases receivable, net of current portion	9,589	-	-
Total other assets	$ 13,255,313	$ -	$ -
Total assets	$ 41,691,802	$ 126,747	$ 174,147
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	$ 1,015,513	$ -	$ -
OPEB related items	212,128	-	-
Deferred charge on refunding	17,704	-	-
Total deferred outflows of resources	$ 1,245,345	$ -	$ -
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	$ 1,917,224	$ -	$ -
Accrued interest	9,116	-	-
Compensated absences	1,121,867	-	-
Loans payable, current portion	170,697	-	-
Bond payable, current portion	61,280	-	-
Total current liabilities	$ 3,280,184	$ -	$ -
Liabilities Payable from Restricted Assets:			
Accounts payable and accrued expenses	$ -	$ 31,904	$ 24,987
Tenant security deposits	-	568	1,058
Total liabilities payable from restricted assets	$ -	$ 32,472	$ 26,045
Long-term Liabilities:			
Loans payable, less current portion	$ 7,545,485	$ -	$ -
Bond payable, less current portion	359,570	-	-
Net OPEB liability	651,293	-	-
Total long-term liabilities	$ 8,556,348	$ -	$ -
Total liabilities	$ 11,836,532	$ 32,472	$ 26,045
DEFERRED INFLOWS OF RESOURCES			
Pension related items	$ 5,406,400	$ -	$ -
OPEB related items	273,184	-	-
Lease related items	168,994	-	-
Total deferred inflows of resources	$ 5,848,578	$ -	$ -
NET POSITION			
Net investment in capital assets	$ 9,763,060	$ 114,648	$ 150,082
Restricted	14,385,639	-	-
Board designated	95,690	-	-
Unrestricted (deficit)	1,007,648	(20,373)	(1,980)
Total net position	$ 25,252,037	$ 94,275	$ 148,102

Canterbury Group Home Corporation	Rappahannock Elder Housing Corporation	Developmental Housing Corporation	Intercompany Eliminations	Total
$ -	$ -	$ -	$ -	$ 8,122,568
-	-	-	-	1,227,933
-	-	-	(182,029)	46,908
-	-	-	-	166,650
-	-	-	-	114,675
$ -	$ -	$ -	$ (182,029)	$ 9,678,734
$ 26,998	$ 109,737	$ 23,437	$ -	$ 871,970
$ 153,417	$ 1,357,837	$ 474,700	$ -	$ 20,150,776
$ -	$ -	$ -	$ -	$ 13,245,724
-	-	-	-	9,589
$ -	$ -	$ -	$ -	$ 13,255,313
$ 180,415	$ 1,467,574	$ 498,137	$ (182,029)	$ 43,956,793
$ -	$ -	$ -	$ -	$ 1,015,513
-	-	-	-	212,128
-	-	-	-	17,704
$ -	$ -	$ -	$ -	$ 1,245,345
$ -	$ -	$ -	$ -	$ 1,917,224
-	-	-	-	9,116
-	-	-	-	1,121,867
-	-	-	-	170,697
-	-	-	-	61,280
$ -	$ -	$ -	$ -	$ 3,280,184
$ 30,493	$ 58,453	$ 36,192	$ (182,029)	$ -
903	6,642	1,308	-	10,479
$ 31,396	$ 65,095	$ 37,500	$ (182,029)	$ 10,479
$ -	$ -	$ -	$ -	$ 7,545,485
-	-	-	-	359,570
-	-	-	-	651,293
$ -	$ -	$ -	$ -	$ 8,556,348
$ 31,396	$ 65,095	$ 37,500	$ (182,029)	$ 11,847,011
$ -	$ -	$ -	$ -	$ 5,406,400
-	-	-	-	273,184
-	-	-	-	168,994
$ -	$ -	$ -	$ -	$ 5,848,578
$ 153,417	$ 1,357,837	$ 474,700	$ -	$ 12,013,744
-	-	-	-	14,385,639
-	-	-	-	95,690
(4,398)	44,642	(14,063)	-	1,011,476
$ 149,019	$ 1,402,479	$ 460,637	$ -	$ 27,506,549

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

	Rappahannock Rapidan Community Services	Orange Group Home Corporation	High Point Group Home Corporation
Operating revenue:			
Net patient service revenue	$ 8,801,599	$ -	$ -
Operating expenses:			
Salaries and benefits	$ 17,671,150	$ -	$ -
Staff development	195,181	-	-
Facilities	1,702,338	34,748	23,115
Supplies	2,578,025	-	-
Travel	713,084	-	-
Contractual and consulting	888,539	-	-
Depreciation	982,381	8,192	7,057
Other	474,136	-	-
Total operating expenses	$ 25,204,834	$ 42,940	$ 30,172
Operating income (loss)	$ (16,403,235)	$ (42,940)	$ (30,172)
Nonoperating income (expense):			
Appropriations from governments:			
Commonwealth of Virginia	$ 9,850,357	$ -	$ -
Federal government	4,413,640	-	-
Local governments	2,174,554	-	-
Other	2,079,879	43,919	42,173
Interest income	11,606	-	1
Interest expense	(292,807)	-	-
Net nonoperating income (expense)	$ 18,237,229	$ 43,919	$ 42,174
Change in net position	$ 1,833,994	$ 979	$ 12,002
Net position, beginning of year	23,418,043	93,296	136,100
Net position, end of year	$ 25,252,037	$ 94,275	$ 148,102

Canterbury Group Home Corporation	Rappahannock Elder Housing Corporation	Developmental Housing Corporation	Intercompany Eliminations	Total
$ -	$ -	$ -	$ -	$ 8,801,599
$ -	$ -	$ -	$ -	$ 17,671,150
-	-	-	-	195,181
37,115	77,664	32,476	-	1,907,456
-	-	-	-	2,578,025
-	-	-	-	713,084
-	-	-	-	888,539
8,951	56,324	16,835	-	1,079,740
-	-	-	-	474,136
$ 46,066	$ 133,988	$ 49,311	$ -	$ 25,507,311
$ (46,066)	$ (133,988)	$ (49,311)	$ -	$ (16,705,712)
$ -	$ -	$ -	$ -	$ 9,850,357
-	-	-	-	4,413,640
-	-	-	-	2,174,554
30,378	94,493	78,917	-	2,369,759
1	5	1	-	11,614
-	-	-	-	(292,807)
$ 30,379	$ 94,498	$ 78,918	$ -	$ 18,527,117
$ (15,687)	$ (39,490)	$ 29,607	$ -	$ 1,821,405
164,706	1,441,969	431,030	-	25,685,144
$ 149,019	$ 1,402,479	$ 460,637	$ -	$ 27,506,549

Combining Statement of Cash Flows
Year Ended June 30, 2022

	Rappahannock Rapidan Community Services	Orange Group Home Corporation	High Point Group Home Corporation
Cash flows from operating activities:			
Receipts from customers	$ 8,770,919	$ -	$ -
Payments to suppliers	(5,369,423)	(37,933)	(29,939)
Payments to and for employees	(18,855,223)	-	-
Net cash provided by (used for) operating activities	$ (15,453,727)	$ (37,933)	$ (29,939)
Cash flows from noncapital financing activities:			
Government grants	$ 16,460,493	$ -	$ -
Other	2,079,879	43,919	43,070
Net cash provided by (used for) noncapital financing activities	$ 18,540,372	$ 43,919	$ 43,070
Cash flows from capital and related financing activities:			
Purchase of capital assets	$ (360,309)	$ (4,522)	$ (3,167)
Principal payments on mortgages and loans payable	(224,479)	-	-
Interest expense	(283,690)	-	-
Net cash provided by (used for) capital and related financing activities	$ (868,478)	$ (4,522)	$ (3,167)
Cash flows from investing activities:			
Interest income	$ 11,606	$ -	$ 1
Net increase (decrease) in cash and cash equivalents	$ 2,229,773	$ 1,464	$ 9,965
Cash and cash equivalents, beginning of year (including restricted cash of $553,193)	6,568,429	10,635	14,100
Cash and cash equivalents, end of year (including restricted cash of $871,970)	$ 8,798,202	$ 12,099	$ 24,065
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ (16,403,235)	$ (42,940)	$ (30,172)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	982,381	8,192	7,057
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	(187,166)	-	-
Leases receivable	156,486	-	-
Prepaid items	30,952	-	-
Net pension asset	(6,377,833)	-	-
Deferred outflows of resources	302,311	-	-
Accounts payable and accrued expenses	955,747	(3,185)	(7,447)
Compensated absences	74,634	-	-
Net OPEB liabilities	(239,866)	-	-
Deferred inflows of resources	5,251,862	-	-
Other	-	-	623
Net cash provided by (used for) operating activities	$ (15,453,727)	$ (37,933)	$ (29,939)

Canterbury Group Home Corporation	Rappahannock Elder Housing Corporation	Developmental Housing Corporation	Intercompany Eliminations	Total
$ -	$ -	$ -	$ -	$ 8,770,919
(19,326)	(53,687)	(69,898)	-	(5,580,206)
-	-	-	-	(18,855,223)
$ (19,326)	$ (53,687)	$ (69,898)	$ -	$ (15,664,510)
$ -	$ -	$ -	$ -	$ 16,460,493
30,672	94,825	80,074	-	2,372,439
$ 30,672	$ 94,825	$ 80,074	$ -	$ 18,832,932
$ (7,779)	$ (15,550)	$ -	$ -	$ (391,327)
-	-	-	-	(224,479)
-	-	-	-	(283,690)
$ (7,779)	$ (15,550)	$ -	$ -	$ (899,496)
$ 1	$ 5	$ 1	$ -	$ 11,614
$ 3,568	$ 25,593	$ 10,177	$ -	$ 2,280,540
23,430	84,144	13,260	-	6,713,998
$ 26,998	$ 109,737	$ 23,437	$ -	$ 8,994,538
$ (46,066)	$ (133,988)	$ (49,311)	$ -	$ (16,705,712)
8,951	56,324	16,835	-	1,079,740
-	-	-	-	(187,166)
-	-	-	-	156,486
-	-	-	-	30,952
-	-	-	-	(6,377,833)
-	-	-	-	302,311
17,789	23,977	(37,422)	-	949,459
-	-	-	-	74,634
-	-	-	-	(239,866)
-	-	-	-	5,251,862
-	-	-	-	623
$ (19,326)	$ (53,687)	$ (69,898)	$ -	$ (15,664,510)

Supplemental Schedules

Supplemental Schedule of Status of DARS Funds
Year Ended September 30, 2021

Fund	Unemcumbered Funds on Hand October 1, 2020	Total Funds Received During Period	Funds Requested by September 30, 2021 but not Received by September 30, 2021	Total of Funds Available During Period	Accrued Costs to Contract Period	Unemcumbered Funds on Hand September 30, 2021
Older Americans Act						
Title III-B	$ -	$ 375,085	$ -	$ 375,085	$ 375,085	$ -
Title III-C (1)	-	193,882	-	193,882	193,882	-
Title III-C (2)	-	281,526	-	281,526	281,526	-
Title III-D	-	18,877	-	18,877	18,877	-
Title III-E	-	135,594	-	135,594	135,594	-
Title VII - Elder Abuse	-	2,447	-	2,447	2,447	-
Title VII - Ombudsman	-	19,008	-	19,008	19,008	-
NSIP	-	55,634	-	55,634	55,634	-
CARES Act III-B	(21,000)	55,000	-	34,000	34,000	-
CARES Act III-C2	(40,000)	107,000	-	67,000	67,000	-
CARES Act III-E	-	35,000	-	35,000	35,000	-
CARES Act VII-Ombudsman	-	30,000	-	30,000	30,000	-
Other Federal						
VICAP-(PY 03/31/21 Award)	-	18,924	-	18,924	18,924	-
VICAP-(PY 03/31/22 Award)	-	5,200	-	5,200	5,200	-
DMAS Ombudsman FY 21	-	2,887	-	2,887	2,887	-
MIPPA - Priority 1 - SHIP	-	13,231	-	13,231	13,231	-
CDSME Grant	-	213	-	213	213	-
General Funds						
OAA General-(PY 06/30/21)	-	133,313	-	133,313	133,313	-
Community Based-(PY 06/30/21)	-	24,248	-	24,248	24,248	-
Transportation-(PY 06/30/21)	-	33,805	-	33,805	33,805	-
Home Delivered Meals-(PY 06/30/21)	-	119,178	-	119,178	119,178	-
Supplemental Nutrition-(PY 06/30/21)	-	28,864	-	28,864	28,864	-
Ombudsman-(PY 06/30/21)	-	17,017	-	17,017	17,017	-
Care Coordination CCEVP-(PY 06/30/21)	-	65,411	-	65,411	65,411	-
Senior Cool Care	-	5,100	-	5,100	5,100	-
Fees & Other Non-OAA	92,700	647,289	-	739,989	741,898	(1,909)
Totals	$ 31,700	$ 2,423,733	$ -	$ 2,455,433	$ 2,457,342	$ (1,909)

Supplemental Schedule of DARS Costs by Program Activity
Year Ended September 30, 2021

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	Costs to Federal CARES Act III-B Funds	Costs to Federal CARES Act III C-2 Funds	Costs to Federal CARES Act III E Funds	Costs to Federal CARES Act Ombuds Funds
Title III (Except III-E),											
Older Americans Act Fund											
Adult Day Care	$ 21,357	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Checking	-	-	-	-	-	-	-	16,000	-	-	-
Comm. Referral Info & Assist	96,742	-	-	-	-	-	-	-	-	-	-
Options Counseling	74,428	-	-	-	-	-	-	-	-	-	-
Transportation	66,332	-	-	-	-	-	-	18,000	-	6,000	-
Congregate Meals	-	187,882	-	-	-	-	-	-	14,000	-	-
Home Delivered Meals	-	-	281,526	-	-	-	-	-	53,000	29,000	-
Nutrition Counseling	-	6,000	-	-	-	-	-	-	-	-	-
Other Disease Prevention	-	-	-	18,877	-	-	-	-	-	-	-
CDSME	16,313	-	-	-	-	-	-	-	-	-	-
Emergency Services	2,701	-	-	-	-	-	-	-	-	-	-
Outreach/Public Information	24,026	-	-	-	-	-	-	-	-	-	-
Socialization/Recreation	-	-	-	-	-	-	-	-	-	-	-
Volunteer Programs	441	-	-	-	-	-	-	-	-	-	-
Legal Assistance	3,800	-	-	-	-	-	-	-	-	-	-
Elder Abuse Prevention	13,853	-	-	-	-	2,447	-	-	-	-	-
LTC Ombudsman Program	10,522	-	-	-	-	-	19,008	-	-	-	3,000
Prep. and Admin	44,570	-	-	-	-	-	-	-	-	-	-
Title III-E, Older Americans Act Funds											
Adult Day Care	-	-	-	-	135,594	-	-	-	-	-	-
Totals	$ 375,085	$ 193,882	$ 281,526	$ 18,877	$ 135,594	$ 2,447	$ 19,008	$ 34,000	$ 67,000	$ 35,000	$ 3,000

Voluntary Contributions	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	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
$ -	$ -	$ 7,664	$ -	$ -	$ -	$ 24,248	$ -	$ -	$ -	$ -	$ -	$ 53,269
-	-	-	-	-	-	-	-	-	-	-	-	16,000
-	-	-	-	-	-	-	-	-	-	-	-	96,742
-	-	-	-	-	-	-	-	-	-	65,411	-	139,839
-	-	-	-	-	-	-	33,805	-	-	-	-	124,137
10,323	192,252	-	-	55,634	69,688	-	-	-	28,864	-	-	558,643
9,191	406,544	-	-	-	46,458	-	-	119,178	-	-	-	944,897
-	-	-	-	-	-	-	-	-	-	-	-	6,000
-	527	-	-	-	-	-	-	-	-	-	-	19,404
-	-	-	-	-	-	-	-	-	-	-	-	16,313
5,100	-	-	-	-	-	-	-	-	-	-	-	7,801
-	-	-	-	-	-	-	-	-	-	-	-	24,026
21,735	-	-	-	-	-	-	-	-	-	-	-	21,735
-	-	-	-	-	17,167	-	-	-	-	-	-	17,608
-	-	-	-	-	-	-	-	-	-	-	-	3,800
-	-	-	-	-	-	-	-	-	-	-	-	16,300
-	-	-	2,887	-	-	-	-	-	-	-	17,017	52,434
-	22,481	-	-	-	-	-	-	-	-	-	-	67,051
-	45,198	3,000	-	-	-	-	-	-	-	-	-	183,792
$ 46,349	$ 667,002	$ 10,664	$ 2,887	$ 55,634	$ 133,313	$ 24,248	$ 33,805	$ 119,178	$ 28,864	$ 65,411	$ 17,017	$ 2,369,791

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

Supplemental Schedule of Status of DARS Inventories
Year Ended September 30, 2021

Fund	Value on Hand October 1, 2020	Increase (Decrease) During Period	Value on Hand September 30, 2021
Title III-C (1) Older Americans Act	$ 8,187	$ 49,811	$ 57,998
Title III-C (2) Older Americans Act	16,454	13,233	29,687
Other Funds - Transportation	35,907	-	35,907
Totals	$ 60,548	$ 63,044	$ 123,592

– Other Information -

Legend of Expense Categories
Year Ended June 30, 2022

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 Repairs
- 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 Services
- Contractual ITC
- Technical Services
- Other Contractual

Other
- Liability Insurance
- Postage
- Printing/Duplicating
- Transcripts/Background Checks
- Advertising
- Other Miscellaneous

– Compliance –

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants
CPAs | CONSULTANTS

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

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rappahannock Rapidan Community Services' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rappahannock Rapidan Community Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Rappahannock Rapidan Community Services' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rappahannock Rapidan Community Services' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
November 30, 2022

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | CONSULTANTS

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rappahannock Rapidan Community Services' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rappahannock Rapidan Community Services' major federal programs for the year ended June 30, 2022. Rappahannock Rapidan Community Services' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Rappahannock Rapidan Community Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Rappahannock Rapidan Community Services and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Rappahannock Rapidan Community Services' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Rappahannock Rapidan Community Services' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Rappahannock Rapidan Community Services' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Rappahannock Rapidan Community Services' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Rappahannock Rapidan Community Services' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Rappahannock Rapidan Community Services' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Rappahannock Rapidan Community Services' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
November 30, 2022

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing 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 (Housing Voucher Cluster)	14.871	Not available	$	$ 118,987
Department of Health and Human Services				
Pass-Through Payments:				
Virginia Department of Behavioral Health and Disability Services:				
and Substance Abuse Services:				
Opioid STR	93.788	5H79TI080220-02		824,780
Block Grants for Community Mental Health Services	93.958	2B09OSM010053-18		634,473
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010053-18		1,240,898
Virginia Department of Health:				
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048	Not available		4,673
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	Not available		18,098
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	Not available		22,628
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Not available	$ 282,629	
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Not available	699,896	
Nutrition Services Incentive Program	93.053	Not available	52,262	
Total Aging Cluster				1,034,787
National Family Caregiver Support, Title III Part E	93.052	Not available		128,042
Medicare Enrollment Assistance Program	93.071	Not available		54,952
Medical Assistance Program (Medicaid Cluster)	93.778	Not available		3,176
Total Department of Health and Human Services			$	$ 3,966,507
Department of Treasury				
Pass-Through Payments:				
Virginia Department of Behavioral Health and Disability Services:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	$	$ 153,125
Department of Education				
Pass-Through Payments:				
Virginia Department of Behavioral Health and Disability Services:				
Special Education - Grants for Infants and Families	84.181	Not available	$	$ 175,021
Total expenditures of federal awards			$	$ 4,413,640

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

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Rappahannock Rapidan Community Services under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rappahannock Rapidan Community Services, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Rappahannock Rapidan Community Services.

Note B - Summary of Significant Accounting Policies

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

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

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - Indirect Cost Recovery

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

RAPPAHANNOCK RAPIDAN COMMUNITY SERVICES

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
93.788	Opioid STR
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

There were no items reported.