

RAPIDAN SERVICE AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2019 AND 2018

**Serving Greene, Madison
& Orange Counties, Virginia**

**RAPIDAN SERVICE AUTHORITY
RUCKERSVILLE, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Serving Greene, Madison, and Orange Counties, Virginia

Prepared by the Accounting Department

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RAPIDAN SERVICE AUTHORITY

BOARD MEMBERS

Greene County:	Ron Williams Matthew Woodson
Madison County:	Steve Hoffman, Chairman Troy Coppage
Orange County:	Lee Frame, Vice Chairman James “Jim” Crozier

OFFICERS

Timothy L. Clemons, Secretary-Treasurer

Timothy L. Clemons, General Manager

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TEL 434-985-7811
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RAPIDAN SERVICE AUTHORITY
3489 GERMANNA HWY
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LOCUST GROVE, VA 22508
TEL 540-972-2133
FAX 540-972-7065

June 4, 2020

TO: Greene County Board of Supervisors
Madison County Board of Supervisors
Orange County Board of Supervisors
Towns of Gordonsville, Madison, Orange, and Stanardsville
Citizens of Greene, Madison, Orange

As Chairman of Rapidan Service Authority (RSA) and representing its Board of Members, it gives me great pride to present you with our "Comprehensive Annual Financial Report" (CAFR) for the year ending 2019.

As you leaf through the report you will discover a wealth of information that is unlike the typical audit report prepared for a municipality. In addition to the various tables, charts and graphs found in this report, of special note is the letter of transmittal prepared by the General Manager and his staff that presents the highlights for the year. Another source of information that the reader will find valuable is the Management's Discussion and Analysis (MD&A) which immediately follows the Independent Auditor's Report.

Included in the report you will see the award of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for RSA's 2018 CAFR. RSA has been a consistent recipient of this nationally recognized award. The value of this Certificate cannot be understated, as we have found, in securing funding for our construction programs. RSA shall also submit this report for consideration by GFOA. The Certificate is only valid for one (1) year and therefore each report must be reviewed annually.

I thank you for taking the time to review our CAFR and please feel free to forward any comments or questions to your representative on the Board of Members. You are invited to join us at any time at our regular monthly meetings.

Sincerely,

Steve Hoffman
Chairman, Board of Members
Rapidan Service Authority



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Serving the Counties of Greene, Madison and Orange

June 4, 2020

Board of Members
Rapidan Service Authority
Ruckersville, Virginia

The Comprehensive Annual Financial Report of the Rapidan Service Authority (“RSA” or “the Authority”) for the fiscal year ended December 31, 2019, is hereby submitted. This report has been prepared, on what we believe to be, in conformity with the reporting and accounting standards promulgated by the Government Finance Officers Association's (GFOA), Governmental Accounting, Auditing, and Financial Reporting for Enterprise Funds of Governmental Units, with such modifications as apply to our status as an independently chartered corporation.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

I would also invite you to review the Management’s Discussion and Analysis (MD&A) immediately following the Independent Auditors’ Report. This analysis provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Organization

RSA is organized under the auspices of Greene, Madison, and Orange Counties. Each County's Board of Supervisors appoints two representatives to serve on the RSA Board of Members. The Authority's chartered responsibility in its geographical area is the provision of water, sewer and solid waste services. These activities are reported in their entirety in this report.

The Authority has determined that it is a jointly governed organization of the Counties of Greene, Madison, and Orange. These governmental entities do not have an ongoing financial responsibility to the Authority. The Authority is perpetual and no participating government has access to either its resources or surpluses, nor is any participant liable for the Authority's debts or deficits. The Authority also has the ability to finance its capital projects through user charges or the sale of revenue bonds. The Authority is not a component unit of any of the participating governments.

Services Provided

RSA provides service through approximately 329 miles of water and sewer mains along with eight water and wastewater treatment plants within its chartered service area. In Greene County, water service is available in and around the Ruckersville and Stanardsville areas. Sewer service is provided in the Town of Stanardsville and the surrounding area as well as the commercial area of Route 29 in Ruckersville. Water and sewer service in Madison County is available primarily within the Town limits and its immediate surroundings. In Orange County, RSA provides water service along Route 15 to the Town of Gordonsville and the Route 20 airport area. Sewer service is also available in the Town of Gordonsville. In the eastern end of Orange County, water and sewer service is provided in Lake of the Woods, Wilderness Shores, Somerset Farms and along the Route 3 corridor.

RSA maintains its water and sewer facilities through its own operation and maintenance program. Other responsibilities include constructing extensions, upgrading existing facilities, and inspecting water distribution and sewer collection systems installed by developers. RSA maintains all contributed and constructed facilities.

Economic Condition & Outlook

The three Counties that comprise RSA's service area are typically rural with a majority of the population commuting to jobs outside of the Counties. All three counties are expected to see some future growth. The Weldon Cooper Center for Public Service is estimating a 21% increase in population from 2019 to 2030 for Greene County. It shows Madison County as having a 0% growth rate and Orange County, the largest county in RSA's service area, having a growth rate of 11% from 2019 to 2030.

Accounting and Budgetary Controls

RSA maintains its accounting records on the accrual basis according to generally accepted accounting principles. Inherent in the Authority's accounting system is a system of strong internal controls. Internal accounting controls are designed to give reasonable, but not absolute assurance that:

- Assets are adequately safeguarded against loss from unauthorized use, and
- Financial records are reliable for preparing financial statements and maintaining accountability.

This concept of reasonable assurance for internal accounting control recognizes that the costs associated therein should not exceed the benefits and that the evaluation of the controls includes the judgment of management. We believe the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is exercised at the departmental level, with the understanding that budget amounts (both revenues and expenses) are projections of anticipated service levels; expenses over budget estimates are examined to ensure that they are properly related to the delivery level of Authority services in the applicable accounting period.

Relevant Financial Policies

There were no financial policies that had a significant impact on our current period's financial statements, that hasn't had an impact on any other periods. With that said, the Authority's careful eye on spending and its enforcement of collection policies have helped minimize, to some degree, the effects of the poor economy all businesses and government agencies have been forced to face.

General Operations

Water and sewer revenues make up 94% of the RSA's operating revenue in 2019. Water revenue rose 37% from 2018 and sewer revenue increased 5% from 2018. For the year, total operating revenue increased \$1,485,272 or 18% from 2018.

In 2019, RSA's operating expenses totaled approximately \$9.59 million. Operations and maintenance accounted for 59% of operating expenses, with depreciation representing 28% of the total and administration accounting for 14%. For the year, RSA's total operating expenses increased \$736 thousand, or 8% from 2018.

FY 2019, RSA incurred \$358,800 in operating gain as compared to an operating loss of \$390,015 in 2018.

Debt Administration

Debt service coverage (gross revenue less direct operating expenses) was 4.05 times the annual debt service. Section 5.2 of the Authority's Revenue Bonds requires coverage of 1.15. Principal payments on long-term indebtedness of \$603,450 in FYE 2019 and \$1,225,017 in FYE 2018. Debt payments in 2019 totaled \$885,168. At December 31, 2019 long-term outstanding debt totaled \$7,657,672 which includes compensated absences.

Independent Audit

State statutes and the Authority's bond documents require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates performed the audit for 2019. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Uniform Guidance. Since the Authority was not the recipient of any Federal funds this year, a Single Audit was not required.

Certificate of Achievement for Excellence

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rapidan Service Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2018. RSA has received this prestigious award 35 of the last 36 years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and accordingly we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

I would like to thank the Board of Members for their dedicated and conscientious management of the Authority's operations; their efforts are reflected in the information that follows.

Respectfully submitted,

A handwritten signature in black ink that reads "Timothy L. Clemons GM/RSA". The signature is written in a cursive style.

Timothy L. Clemons
General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Rapidan Service Authority
Virginia

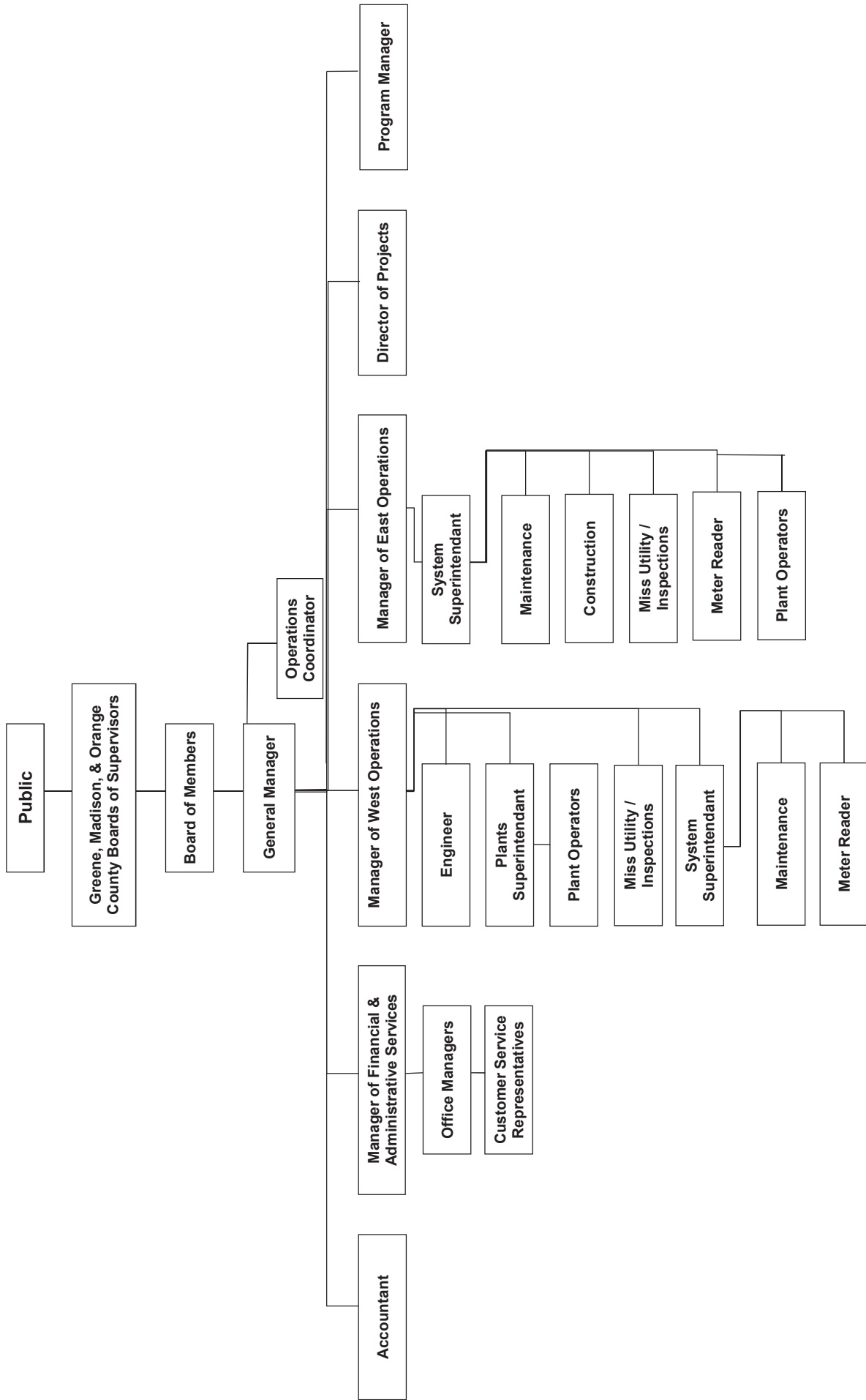
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morrill

Executive Director/CEO

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Independent Auditors' Report

**To the Board of Directors
Rapidan Service Authority
Ruckersville, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Rapidan Service Authority as of and for the years ended December 31, 2019 and December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Rapidan Service Authority, as of December 31, 2019 and 2018, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 12 to the financial statements, in 2019, the Authority adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, and early implemented GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Our opinion is not modified with respect to this manner.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rapidan Service Authority's basic financial statements. The introductory section, other supplementary information and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2020 on our consideration of the Rapidan Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rapidan Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rapidan Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer Cox Associates

Charlottesville, Virginia

May 29, 2020

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Management's Discussion and Analysis

To the Board of Members Rapidan Service Authority

As management of the Rapidan Service Authority (“RSA” or “the Authority”), we offer readers of our financial statements this narrative, overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 9 through 12 of this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority’s basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Enterprise fund financial statements

The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on the Authority’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event, giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g. earned but unused vacation leave).

The basic enterprise fund financial statements can be found on pages 33 through 36 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to the Financial Statements can be found on pages 37 through 55 of this report. Note 5 presents certain required supplementary information concerning the Authority’s progress in funding its obligation to provide pension benefits to its employees.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$59,042,600 (net position). Of this amount \$9,836,974 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's deferred outflows of resources decreased by \$52,680.
- The Authority's total net position increased by \$1,132,062.
- The Authority's restricted assets increased \$55.4 thousand to \$570.5 thousand during the current fiscal year.

Financial Analysis

Net Position

The Authority's net position increased by \$1.132 million during the fiscal year 2019, which represents a 2.0% increase from the prior fiscal year ending net position. At December 31, 2019, total net position was \$59.04 million as compared to \$57.91 million the previous year.

	Condensed Statements of Net Position			
	2019	2018	Increase (Decrease)	% Change
Current and other assets	\$ 11,945,318	\$ 10,143,277	\$ 1,802,041	17.8 %
Capital assets	56,487,423	57,238,762	(751,339)	(1.3)
Total assets	<u>\$ 68,432,741</u>	<u>\$ 67,382,039</u>	<u>\$ 1,050,702</u>	<u>1.6</u>
Deferred charge on refunding	\$ 33,844	\$ 86,524	\$ (52,680)	(60.9)
Total deferred outflows of resources	<u>\$ 33,844</u>	<u>\$ 86,524</u>	<u>\$ (52,680)</u>	<u>(60.9)</u>
Total assets and deferred outflows of resources	<u>\$ 68,466,585</u>	<u>\$ 67,468,563</u>	<u>\$ 998,022</u>	<u>1.5 %</u>
Long-term liabilities outstanding	\$ 7,035,136	\$ 7,597,003	\$ (561,867)	(7.4) %
Other liabilities	<u>2,388,849</u>	<u>1,961,022</u>	<u>427,827</u>	<u>21.8</u>
Total liabilities	<u>\$ 9,423,985</u>	<u>\$ 9,558,025</u>	<u>\$ (134,040)</u>	<u>(1.4)</u>
Net position:				
Net investment in capital assets	\$ 49,205,626	\$ 49,390,624	\$ (184,998)	(0.4)
Unrestricted	<u>9,836,974</u>	<u>8,519,914</u>	<u>1,317,060</u>	<u>15.5</u>
Total net position	<u>\$ 59,042,600</u>	<u>\$ 57,910,538</u>	<u>\$ 1,132,062</u>	<u>2.0</u>
Total liabilities and net position	<u>\$ 68,466,585</u>	<u>\$ 67,468,563</u>	<u>\$ 998,022</u>	<u>1.5 %</u>

Financial Analysis: (Continued)

The Authority's net position increased by \$472 thousand during the fiscal year 2018, which represents a 0.8% increase from the prior fiscal year ending net position. At December 31, 2018, total net position was \$57.91 million as compared to \$57.44 million the previous year.

Condensed Statements of Net Position

	2018	2017	Increase Increase (Decrease)	% Change
Current and other assets	\$ 10,143,277	\$ 9,463,520	\$ 679,757	7.2
Capital assets	<u>57,238,762</u>	<u>58,406,895</u>	<u>(1,168,133)</u>	<u>(2.0)</u>
Total assets	<u>\$ 67,382,039</u>	<u>\$ 67,870,415</u>	<u>\$ (488,376)</u>	<u>(0.7)</u>
Deferred charge on refunding	\$ 86,524	\$ 114,913	\$ (28,389)	(24.7)
Total deferred outflows of resources	<u>\$ 86,524</u>	<u>\$ 114,913</u>	<u>\$ (28,389)</u>	<u>(24.7)</u>
Total assets and deferred outflows of resources	<u>\$ 67,468,563</u>	<u>\$ 67,985,328</u>	<u>\$ (516,765)</u>	<u>(0.8)</u>
Long-term liabilities outstanding	\$ 7,597,003	\$ 8,214,077	\$ (617,074)	(7.5)
Other liabilities	<u>1,961,022</u>	<u>2,332,967</u>	<u>(371,945)</u>	<u>(15.9)</u>
Total liabilities	<u>\$ 9,558,025</u>	<u>\$ 10,547,044</u>	<u>\$ (989,019)</u>	<u>(9.4)</u>
Net position:				
Net investment in capital assets	\$ 49,390,624	\$ 49,320,418	\$ 70,206	0.1
Unrestricted	<u>8,519,914</u>	<u>8,117,866</u>	<u>402,048</u>	<u>5.0</u>
Total net position	<u>\$ 57,910,538</u>	<u>\$ 57,438,284</u>	<u>\$ 472,254</u>	<u>0.8</u>
Total liabilities and net position	<u>\$ 67,468,563</u>	<u>\$ 67,985,328</u>	<u>\$ (516,765)</u>	<u>(0.8)</u>

Net investment in capital assets

The Authority uses capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In a comparison of 2019-2018, the net position invested in capital assets, net of related debt was \$49.21 million at December 31, 2019 and represents 83% of total net position. The net position invested in capital assets decreased by 0.4% or \$185 thousand from 2018.

In a comparison of 2018-2017, the net position invested in capital assets, net of related debt was \$49.39 million at December 31, 2018 and represents 85% of total net position. The net position invested in capital assets increased by 0.1% or \$1.1 million from 2017.

Unrestricted net position

Unrestricted net position is used by the Authority to finance day-to-day operations without restrictions established by debt covenants or other requirements. Unrestricted cash and investments consist of government securities, bank deposits and other cash-equivalents.

In a comparison of 2019-2018, unrestricted net position increased \$1.13 million during the fiscal year 2019 to \$9.82 million, an 15.5% increase from the prior year. Unrestricted net position is 17% of the total net position.

In a comparison of 2018-2017, unrestricted net position increased \$402 thousand during the fiscal year 2018 to \$8.52 million, an 5% increase from the prior year. Unrestricted net position is 15% of the total net position.

Changes in Revenues, Expenses & Changes in Net Position

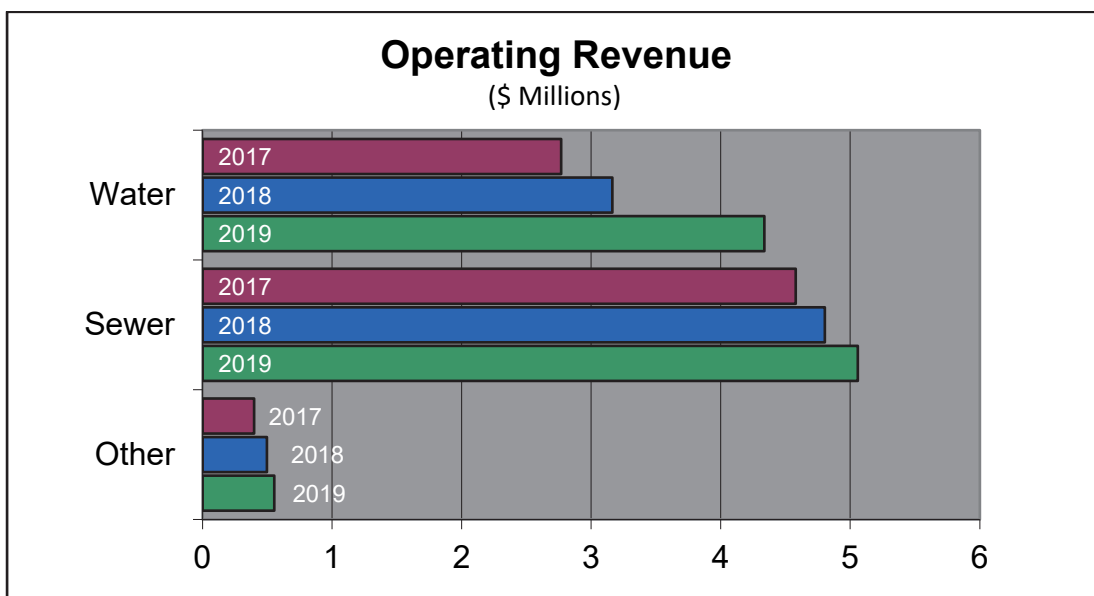
While the Statements of Net Position reflect the change in the Authority's financial position, the Statements of Revenues, Expenses and Changes in Net Position provide insight as to the nature and source of those changes. A comparison of the current fiscal year's actual and budgeted income is found on Schedule 1 under Supporting Schedules of the Financial Section.

Financial Analysis: (Continued)

The following table summarizes changes in revenues and expenses between fiscal year 2019 and 2018.

Condensed Statements of Revenues, Expenses & Change in Net Position

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Revenues:				
Operating revenues	\$ 9,949,749	\$ 8,464,477	\$ 1,485,272	17.5 %
Availability fees	1,218,000	990,000	228,000	23.0
Other revenue	487,671	328,068	159,603	48.6
Total revenues	<u>\$ 11,655,420</u>	<u>\$ 9,782,545</u>	<u>\$ 1,872,875</u>	<u>19.1</u>
Expenses:				
Operating expenses	\$ 6,923,410	\$ 6,212,000	\$ 711,410	11.5
Depreciation expense	2,667,539	2,642,492	25,047	0.9
Interest expense	281,718	344,138	(62,420)	(18.1)
Other	1,180,625	446,435	734,190	164.5
Total expenses	<u>\$ 11,053,292</u>	<u>\$ 9,645,065</u>	<u>\$ 1,408,227</u>	<u>14.6</u>
Income (loss) before capital contributions	\$ 602,128	\$ 137,480	\$ 464,648	\$ 338.0
Capital contributions	<u>\$ 529,934</u>	<u>\$ 334,774</u>	<u>\$ 195,160</u>	<u>\$ 58.3</u>
Increase (decrease) in net position	\$ 1,132,062	\$ 472,254	\$ 659,808	139.7
Net position, beginning of year	<u>57,910,538</u>	<u>57,438,284</u>	<u>472,254</u>	<u>0.8</u>
Net position, end of year	<u>\$ 59,042,600</u>	<u>\$ 57,910,538</u>	<u>\$ 1,132,062</u>	<u>2.0 %</u>

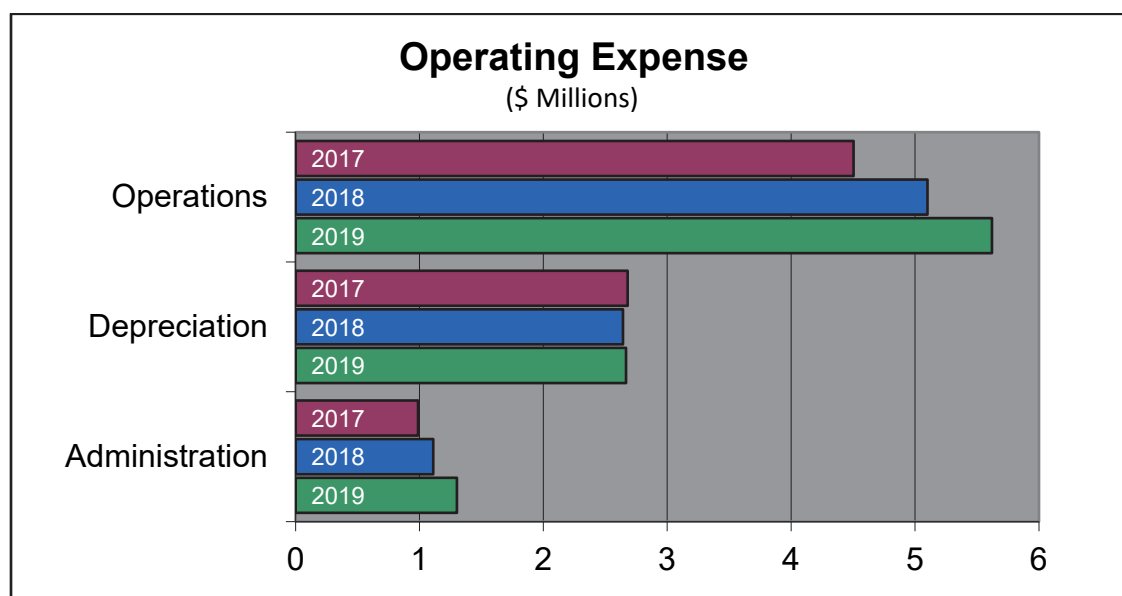


Financial Analysis: (Continued)

The following table summarizes changes in revenues and expenses between fiscal year 2018 and 2017.

Condensed Statements of Revenues, Expenses & Change in Net Position

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Revenues:				
Operating revenues	\$ 8,464,477	\$ 7,744,683	\$ 719,794	9.3 %
Availability fees	990,000	540,200	449,800	83.3
Other revenue	328,068	233,697	94,371	40.4
Total revenues	<u>\$ 9,782,545</u>	<u>\$ 8,518,580</u>	<u>\$ 1,263,965</u>	<u>14.8</u>
Expenses:				
Operating expenses	\$ 6,212,000	\$ 5,493,518	\$ 718,482	13.1
Depreciation expense	2,642,492	2,680,024	(37,532)	(1.4)
Interest expense	344,138	390,655	(46,517)	(11.9)
Other	446,435	394,374	52,061	13.2
Total expenses	<u>\$ 9,645,065</u>	<u>\$ 8,958,571</u>	<u>\$ 686,494</u>	<u>7.7</u>
Income (loss) before capital contributions	\$ 137,480	\$ (439,991)	\$ 577,471	\$ (131.2)
Capital contributions	<u>\$ 334,774</u>	<u>\$ 75,000</u>	<u>\$ 259,774</u>	<u>\$ 346.4</u>
Increase (decrease) in net position	\$ 472,254	\$ (364,991)	\$ 837,245	(229.4)
Net position, beginning of year	<u>57,438,284</u>	<u>57,803,275</u>	<u>(364,991)</u>	<u>(0.6)</u>
Net position, end of year	<u>\$ 57,910,538</u>	<u>\$ 57,438,284</u>	<u>\$ 472,254</u>	<u>0.8 %</u>



Financial Analysis: (Continued)

Operating revenues

Operating revenue consists of water and sewer service charges, penalties and late fees as well as other operating revenues.

In a comparison of 2019-2018, operating revenues increased by \$1.485 million or 17.5% to \$9.9 million. Water and sewer revenue increased \$1.4 million or 15% whereas other revenue, primarily new service installations, increased \$56.3 thousand or 10% from the year ending 2018.

In a comparison of 2018-2017, operating revenues increased by \$719.80 thousand or 9.3% to \$8.5 million. Water and sewer revenue increased \$620.1 thousand or 8% whereas other revenue, primarily new service installations, increased \$99.6 Thousand or 25% from the year ending 2017.

Nonoperating revenues & capital contributions

Nonoperating revenues consist of availability fees, investment income and other nonoperating revenues. Investments made by the Authority are tightly regulated as to the type of investments that can be made in the financial markets. Please see Note 6 in the Notes to Financial Statements for a discussion as to the statutes governing the investment of Authority funds. Capital contributions from developers include water and sewer mains, pump stations, and other infrastructure from developers and governmental entities. Contributions are recognized upon the assignment of the assets and fluctuations from year to year are due to the number of completed projects in a given year.

In a comparison of 2019-2018, other nonoperating revenue increased by \$159.6 thousand or 48.6% to \$487,671. Availability fees were up \$228 thousand or 23% to \$1.2 million. Capital contributions for 2019 totaled \$529.93 thousand, compared to \$334.78 thousand in 2018.

In a comparison of 2018-2017, other nonoperating revenue increased by \$94.4 thousand or 40.4% to \$328,068. Availability fees were up \$449.8 thousand or 83.3% to \$990 thousand. Capital contributions for 2018 totaled \$334.78 thousand, compared to \$75 thousand in 2017.

Operating & nonoperating expenses

Operating expenses consist of personnel services, contractual services, materials and supplies, utilities, insurance and other operating expenses that keep the Authority running on a day to day basis. Nonoperating expenses consist of interest expense and other costs that are incurred that do not fall under operating expense. A comparison of the current fiscal year's actual and budgeted expenses is found on Schedule 2 under Supporting Schedules of the Financial Section.

Financial Analysis: (Continued)

In a comparison of 2019-2018, operating expenses increased \$711.4 thousand or 11.5% to \$6.923 million at the end of 2019. Depreciation expense totaled \$2.67 million at the end of 2019. Interest expense was down \$62.4 thousand or -18.1% to \$281.7 thousand at year end.

In a comparison of 2018-2017, operating expenses increased \$718.5 thousand or 13.1% to \$6.21 million at the end of 2018. Depreciation expense totaled \$2.64 million at the end of 2018. Interest expense was down \$46.5 thousand or -11.9% to \$344.1 thousand at year end.

Capital assets

The Authority's investment in capital assets consists of a broad range of capital assets, such as land, buildings, water and sewer lines, water storage facilities, water and wastewater plants as well as pump stations, machinery, equipment, computers and vehicles. More information on the Authority's capital assets is presented in Notes 7 and 8 of the Notes to the Financial Statements.

As of December 31, 2019, capital assets net of accumulated depreciation was \$56.49 million, a decrease of \$751.3 thousand or 1% from FYE 2018. As of December 31, 2018, capital assets net of accumulated depreciation was \$57.2 million, a decrease of \$1.17 million or 2% from FYE 2017.

The following table summarizes the Authority's capital assets, net of accumulated depreciation, and the changes therein for the years ended December 31, 2019 and 2018.

	Capital Assets, Net of Accumulated Depreciation			
	2019	2018	Increase (Decrease)	% Change
Land	\$ 1,117,306	\$ 1,117,306	\$ -	- %
Water and sewer systems	54,424,071	55,259,766	(835,695)	(2)
Buildings	248,564	121,125	127,439	105
Vehicles and equipment	628,167	278,254	349,913	126
Office equipment	63,726	46,295	17,431	38
Construction in progress	5,589	416,016	(410,427)	(99)
Total capital assets	<u>\$ 56,487,423</u>	<u>\$ 57,238,762</u>	<u>\$ (751,339)</u>	<u>(1) %</u>

Capital Assets and Debt Administration: (Continued)

The following table summarizes the Authority's capital assets, net of accumulated depreciation, and the changes therein for the years ended December 31, 2018 and 2017.

	Capital Assets, Net of Accumulated Depreciation			
	2018	2017	Increase (Decrease)	% Change
Land	\$ 1,117,306	\$ 1,117,306	\$ -	- %
Water and sewer systems	55,259,766	56,993,070	(1,733,304)	(3)
Buildings	121,125	131,382	(10,257)	(8)
Vehicles and equipment	278,254	77,014	201,240	261
Office equipment	46,295	31,525	14,770	47
Construction in progress	416,016	56,598	359,418	635
Total capital assets	\$ 57,238,762	\$ 58,406,895	\$ (1,168,133)	(2) %

Major capital asset activity for the current fiscal year included:

Current Year Projects:

	2019
Greene Water Mains	\$ 351,486
East Sewer System Upgrades	246,616
Office Improvements	61,326

Long-Term Debt

Long-term debt is used by the Authority to finance capital projects due to growth in the system, aging equipment and lines or changes in regulations. The Authority has several VRA bond issues outstanding which are rated A+ from Standard & Poor's. Other long-term obligations of the Authority include employee accrued leave. More detailed information on the Authority's long-term liabilities is presented in Note 4 of the Notes to the Financial Statements.

At the end of the current fiscal year, the Authority had \$7,315,641 in bonds and notes outstanding compared to \$7,934,662 last year, an 8% decrease.

Long-Term Trends:

Connection Growth

New water connections over the last 10 Fiscal Years are located in Table 8 of the Statistical Section of this report. The annual average growth of water customers has been 10% over this 10-year period.

Long-Term Trends: (Continued)

Revenue and Expense Growth

Presented in Tables 2, 3 and 4 of the Statistical Section is the trend information on Revenues and Operating Expenses. With the growth that has been seen over the last 10 years and the expected growth in the future, the Authority is diligent in anticipating the needs of its customers.

Long-Term Debt

The Authority has been involved in major construction projects and has used long-term debt to finance the majority of its capital asset growth. The low interest rate environment and the ability of the Authority to participate in the state's loan and grant programs have resulted in low cost debt. Table 13, the Table of Pledged Revenue Coverage for the Last 10 Fiscal Years is presented in the Statistical Section. Bond Covenants require the Authority to maintain Debt Service Coverage Ratio of 1.15.

Cash and Cash Equivalents

The Authority's use and management of its cash accounts are predicated on the following criteria: self-funding of smaller construction and of our larger operations and maintenance projects to reduce the Authority's dependency on the bond/loan market, a requisite operations and maintenance reserve fund, unforeseen contingencies, and finally, to enhance favorable financing terms with its creditors.

Requests for Information:

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department at P.O. Box 148, Ruckersville, Virginia 22968.

Basic Financial Statements

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RAPIDAN SERVICE AUTHORITY

Exhibit 1

Statements of Net Position
At December 31, 2019 and 2018

	<u>At December 31,</u>	
	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,972,253	\$ 8,518,658
Accounts receivable (net of allowance for uncollectible accounts) (Note 2)	1,043,831	821,483
Inventory of materials and supplies, at cost	322,903	251,450
Prepaid items	35,825	36,580
Restricted current assets:		
Cash and cash equivalents (Note 6)	<u>570,506</u>	<u>515,106</u>
 Total current assets	 <u>\$ 11,945,318</u>	 <u>\$ 10,143,277</u>
Noncurrent assets:		
Capital assets: (Note 7)		
Land and improvements	\$ 1,117,306	\$ 1,117,306
Water and sewer system	100,016,868	98,261,236
Buildings	515,374	378,079
Vehicles and equipment	1,948,832	1,576,186
Office equipment	372,106	345,621
Accumulated depreciation	<u>(47,488,652)</u>	<u>(44,855,682)</u>
 Subtotal	 <u>\$ 56,481,834</u>	 <u>\$ 56,822,746</u>
Construction in progress (Note 8)	<u>5,589</u>	<u>416,016</u>
 Total net capital assets	 <u>\$ 56,487,423</u>	 <u>\$ 57,238,762</u>
 Total noncurrent assets	 <u>\$ 56,487,423</u>	 <u>\$ 57,238,762</u>
 Total assets	 <u>\$ 68,432,741</u>	 <u>\$ 67,382,039</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	<u>\$ 33,844</u>	<u>\$ 86,524</u>

RAPIDAN SERVICE AUTHORITY

Exhibit 1

Statements of Net Position
At December 31, 2019 and 2018 (Continued)

	<u>At December 31,</u>	
	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 269,907	\$ 369,141
Accrued payroll	42,750	36,324
Accrued payroll taxes	21,106	35,178
Retirement plan and benefits plan payable	6,546	11,071
Due to other governments	726,705	180,612
Unearned revenue	56,547	70,420
Accrued interest payable	72,246	78,917
Compensated absences - current portion (Note 4)	34,203	32,659
Current Liabilities (payable from restricted assets):		
Customer deposits	570,506	515,106
Bonds and note principal - current portion (Note 4)	618,242	631,594
Total current liabilities	<u>\$ 2,418,758</u>	<u>\$ 1,961,022</u>
Noncurrent liabilities:		
Compensated absences - noncurrent portion (Note 4)	\$ 307,828	\$ 293,935
Bonds and note principal - noncurrent portion (Note 4)	6,697,399	7,303,068
Total noncurrent liabilities	<u>\$ 7,005,227</u>	<u>\$ 7,597,003</u>
Total liabilities	<u>\$ 9,423,985</u>	<u>\$ 9,558,025</u>
NET POSITION		
Net investment in capital assets	\$ 49,205,626	\$ 49,390,624
Unrestricted	9,836,974	8,519,914
Total net position	<u>\$ 59,042,600</u>	<u>\$ 57,910,538</u>

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

Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended December 31, 2019 and 2018

	Year Ended December 31,	
	2019	2018
Operating revenues:		
Water Revenues	\$ 4,337,250	\$ 3,163,550
Sewer Revenues	5,059,002	4,803,738
Other Revenues	553,497	497,189
Total operating revenues	<u>\$ 9,949,749</u>	<u>\$ 8,464,477</u>
Operating expenses:		
Administrative	\$ 1,302,842	\$ 1,111,405
Operations and maintenance	5,620,568	5,100,595
Depreciation expense	2,667,539	2,642,492
Total operating expenses	<u>\$ 9,590,949</u>	<u>\$ 8,854,492</u>
Operating income (loss)	<u>\$ 358,800</u>	<u>\$ (390,015)</u>
Nonoperating revenues (expenses):		
Interest income	\$ 245,447	\$ 127,736
Interest expense	(281,718)	(344,138)
Bond issue costs	(37,532)	-
Gain on disposal of assets	33,348	2,000
Lease revenue	208,876	198,332
Other income (expenses)	(1,143,093)	(446,435)
Availability fees	1,218,000	990,000
Total nonoperating revenues (expenses)	<u>\$ 243,328</u>	<u>\$ 527,495</u>
Income (loss) before capital contributions	<u>\$ 602,128</u>	<u>\$ 137,480</u>
Capital contributions	<u>\$ 529,934</u>	<u>\$ 334,774</u>
Change in net position	\$ 1,132,062	\$ 472,254
Net position, beginning of year	<u>57,910,538</u>	<u>57,438,284</u>
Net position, end of year	<u><u>\$ 59,042,600</u></u>	<u><u>\$ 57,910,538</u></u>

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

RAPIDAN SERVICE AUTHORITY
Exhibit 3
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	Year Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Receipts from customers and users	\$ 9,727,401	\$ 8,339,651
Payments to suppliers	(5,382,255)	(4,376,862)
Payments to and on behalf of employees	(2,054,418)	(1,857,627)
Net cash provided by (used for) operating activities	\$ 2,290,728	\$ 2,105,162
Cash flows from capital and related financing activities:		
Purchases of capital assets	\$ (1,390,718)	\$ (1,139,586)
Proceeds from sale of assets	37,800	2,000
Proceeds from issuance of bonds payable	2,263,333	-
Premium on bond issuance	319,361	-
Principal payments on loans and bonds	(3,101,806)	(1,225,017)
Availability fees	1,218,000	990,000
Bond issue costs paid	(37,532)	-
Interest payments	(335,618)	(369,438)
Net cash provided by (used for) capital and related financing activities	\$ (1,027,180)	\$ (1,742,041)
Cash flows from investing activities:		
Interest income	\$ 245,447	\$ 127,736
Net cash provided by (used for) investing activities	\$ 245,447	\$ 127,736
Increase (decrease) in cash and cash equivalents	\$ 1,508,995	\$ 490,857
Cash and cash equivalents at beginning of year (including \$515,106 and \$483,326, respectively reported in restricted accounts)	9,033,764	8,542,907
Cash and cash equivalents at end of year (including \$570,506 and \$515,106 respectively reported in restricted accounts)	\$ 10,542,759	\$ 9,033,764
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 358,800	\$ (390,015)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	2,667,539	2,642,492
Lease revenue	208,876	198,332
Other income (expenses)	(1,143,093)	(446,435)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(222,348)	(124,826)
(Increase) decrease in prepaid items	755	(32,225)
(Increase) decrease in inventories	(71,453)	(31,849)
Increase (decrease) in compensated absences	15,437	16,134
Increase (decrease) in payables and accrued expenses	476,215	273,554
Net cash provided by (used for) operating activities	\$ 2,290,728	\$ 2,105,162
Supplemental Disclosure:		
Noncash investing, capital, and financing activities:		
Capital assets contributed	\$ 529,934	\$ 334,774

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2019 and 2018

NOTE 1-BASIS OF PRESENTATION:

In the interest of efficient water quality management, the Authority is organized under the auspices of Greene, Madison, and Orange Counties as a jointly governed organization. The Authority is responsible for acquiring, financing, constructing and maintaining facilities for the improvement, treatment, storage and transmission of potable water, and for the interception, treatment and discharge of wastewater for the Counties.

Financial Reporting Entity

The Rapidan Service Authority was established for the purposes stated above. The participating governments are the County of Greene, County of Madison, and County of Orange. These governmental entities do not have an ongoing financial responsibility to the Authority.

The Authority's governing body is composed of two members appointed by each of the Counties. Therefore, none of the participants appoints a voting majority of board members.

The Authority is perpetual and no participating government has access to its resources or surpluses, nor is any participant liable for the Authority's debts or deficits. The Authority also has the ability to finance its capital projects through user charges or the sale of revenue bonds.

Based on the above representations, the Rapidan Service Authority has been determined to be a jointly governed organization of the County of Greene, County of Madison, and County of Orange. The Authority is not a component unit of any of the participating governments.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The accounts of the Rapidan Service Authority are maintained on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. All Authority budgets are prepared on the accrual basis.

Financial Reporting - The financial statements of the Authority are prepared as an "enterprise" commercial unit to conform to financial reporting practices as recommended in Water Utility Accounting published jointly by the Municipal Finance Officers Association and The American Water Works Association.

Budgetary Control - Although a budget is not legally required to be adopted, a fiscal year budget is prepared for management and fiscal planning purposes. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Any changes to the budget as adopted require Board approval.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements

At December 31, 2019 and 2018 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basic Financial Statements

The Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management’s Discussion and Analysis
- Enterprise fund financial statements
 - Statements of Net Position
 - Statements of Revenues, Expenses, and Changes in Net Position
 - Statements of Cash Flows
 - Notes to Financial Statements

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Authority considers cash and cash equivalents to include cash on hand, cash on demand deposit and short-term investments purchased with an original maturity of three months or less.

Investments – Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDS)) and external investment pools are measured at amortized cost. All other investments are reported at fair value. The Authority invests in the Local Government Investment Pool and the Virginia Investment Pool, all which are considered cash equivalents.

Accounts Receivable - Accounts receivable consist of water and sewer billings. The provision for uncollectibility was \$101,910 of gross receivables of \$1,145,741 in 2019 and \$96,511 of gross receivables of \$917,994 in 2018.

Capital Assets and Depreciation - Capital assets are defined by the Authority as assets with an initial and individual cost of more than \$1,000 and a useful life of over 2 years.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements

At December 31, 2019 and 2018 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Depreciation of utility capital assets was computed by the straight-line method using the following estimated useful lives as a basis:

<u>Items</u>	<u>Years</u>
Source of supply structures	50
Water treatment building	50
Distribution reservoirs and standpipes	50
General structures and improvements	50
Water/sewer pumping equipment	10
Water treatment plant	20
Plastic mains and accessories	40
Transmission mains and accessories	66- 2/3
Services	33- 1/3
Meters	33- 1/3
Hydrant and accessories	66- 2/3
Office furniture and fixtures	10
Other general equipment	10
Motor vehicles	4

No depreciation is taken on assets in the year placed in service. Depreciation expense for the years ended December 31, 2019 and 2018 amounted to \$2,667,539 and \$2,642,492 respectively.

Legal Compliance - As required by Board resolution, the Authority maintains restricted cash funds to account for meter deposits. These accounts are disclosed in the Statement of Net Position.

The Borrower covenants and agrees that it will fix and collect rates, fees and other charges for the use of and for services furnished or to be furnished by the System, and will from time to time revise such rates, fees and other charges (so that in each Fiscal Year the Net Revenues Available for Debt Service will equal at least 115% of the amount required during the Fiscal Year to pay the principal of and interest on the Local Bonds and all other indebtedness of the Borrower) including, without limitation, indebtedness under leases which are treated as capital leases under generally accepted accounting principles, payable from Revenues. (If, for any reason, the revenues are insufficient to satisfy the foregoing covenant, the Borrower shall within ninety days adjust and increase its rates, fees and other charges or reduce its Operation and Maintenance Expenses so as to provide sufficient revenues to satisfy such requirement.)

"Net Revenues Available for Debt Service" means the revenues less amounts necessary to pay Operation and Maintenance Expenses.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements

At December 31, 2019 and 2018 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

“Operation and Maintenance Expenses” mean the costs of operating and maintaining the System determined under generally accepted accounting principles, exclusive of: (i) interest on any debt payable from Revenues, (ii) depreciation and other items not requiring the expenditure of cash, (iii) any amounts expended for capital replacements, repairs and maintenance not recurring annually or reserves therefore, and (iv) reserves for administration, operation and maintenance occurring in the normal course of business.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. The Authority recognizes availability fees as capital contributions. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interest on Indebtedness – Interest costs of the Authority are treated as nonoperating expenses. All interest on indebtedness will be expensed as a nonoperating expense.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the enterprise fund financial statements.

Inventories - Inventories are stated at cost, and cost is determined on the first-in, first-out basis.

Bond Issuance Costs - Costs of issuing indebtedness are expensed when incurred.

Compensated Absences – For employees with 0-5 years of service, annual leave is accrued at the rate of one day per month and sick leave at ½ day per month. Employees with over 5 years of service receive 1-¼ days per month annual leave and .83 days per month sick leave. Sick leave max payout is 250 hours. Annual leave max payout is 480 hours. All leave is charged as an expense in the year earned.

<u>Liability For</u>	<u>2019</u>	<u>2018</u>
Annual Leave	\$ 213,920	\$ 205,043
Sick Leave	<u>128,111</u>	<u>121,551</u>
Total Compensated Absences	<u>\$ 342,031</u>	<u>\$ 326,594</u>

Restricted Assets – Certain resources of the Authority are set aside for the repayment of customer deposits and are classified as restricted assets on the Statement of Net Position because their use is limited by customers. Other assets are restricted as required per bond agreements.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2019 and 2018 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Deferred Charge on Refunding:

In fiscal year 2019, the Authority amortized \$7,697 of deferred refunding on revenue bonds. The deferred charge on refunding remaining at December 31, 2019 is \$33,844.

Net Position:

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

Net Position Flow Assumption:

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. For more detailed information on these items reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of December 31, 2019 and 2018.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2019 and 2018 (Continued)

NOTE 3-UTILITY PLANT IN SERVICE:

The Rapidan Service Authority has acquired the "capital assets" contained in its operating system from two different sources, contributions in aid of construction and projects financed by the Authority. Property, plant and equipment purchased are stated at historical cost. Donated property works of art and similar items, and property received in a service concession arrangement are recorded at acquisition value prevailing at date of donation. In accordance with generally accepted accounting principles, it was necessary for the Authority to capitalize these expenditures and record depreciation on such assets over their useful lives. The value of the construction projects was ascertained from the accounting records.

However, the value of the contributions in aid of construction which consist of donations or contributions in cash, services or property from corporations, individuals and others for the construction and extension of water and sewer facilities was determined by the General Manager of the Authority with the assistance of the Authority's consulting engineers, using acquisition value at date of donation as basis for valuation.

NOTE 4-LONG-TERM LIABILITIES:

Annual requirements to amortize long-term liabilities and related interest are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Direct Borrowings and Direct</u> <u>Placements</u>		<u>Revenue Note</u>	
	<u>Revenue Bonds</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>		
2020	\$ 568,333	\$ 376,202	\$ 20,000	\$ -
2021	595,000	347,375	20,000	-
2022	616,667	317,217	20,000	-
2023	646,667	285,959	-	-
2024	673,333	253,179	-	-
2025-2029	1,933,333	838,677	-	-
2030-2034	1,835,000	333,630	-	-
Total	<u>\$ 6,868,333</u>	<u>\$ 2,752,239</u>	<u>\$ 60,000</u>	<u>\$ -</u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2019 and 2018 (Continued)

NOTE 4—LONG-TERM LIABILITIES: (Continued)

Long-term liabilities include the following at December 31:

	<u>2019</u>	<u>2018</u>
	<u>Principal</u>	<u>Principal</u>
Direct Borrowings and Direct Placements:		
Revenue Bonds:		
\$6,320,000 2009B revenue bonds, payable to Virginia Resources Authority in variable semi-annual installments of \$209,184 - \$251,171, bearing interest at a rate of 3.068% to 5.918% through 2034. The proceeds were used to finance construction of water and sewer system projects.	\$ 4,605,000	\$ 4,830,000
\$8,210,000 2009A revenue bonds, payable to Virginia Resources Authority in variable semi-annual installments of \$239,556 - \$243,098, bearing interest at a rate of 3.606% through 2025. The proceeds were used to advance refund the 2001 revenue bonds.	-	2,856,806
\$2,263,333 2019 revenue bonds, payable to Virginia Resources Authority in variable semi-annual installments of \$444,500 - \$447,333, bearing interest at a rate of 5.00% through 2025. The proceeds were used to advance refund the 2009 revenue bonds.	2,263,333	-
Premiums on Bonds Issued	<u>387,308</u>	<u>167,856</u>
Total revenue bonds	\$ <u>7,255,641</u>	\$ <u>7,854,662</u>
Revenue note—Virginia Resource Authority:		
\$400,000 note at a rate of 0% interest for 20 years	\$ <u>60,000</u>	\$ <u>80,000</u>
Compensated Absences	\$ <u>342,031</u>	\$ <u>326,594</u>
Total long-term obligations	<u>\$ 7,657,672</u>	<u>\$ 8,261,256</u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2019 and 2018 (Continued)

NOTE 4-LONG-TERM LIABILITIES: (Continued)

Changes in Long-term Liabilities for the years ended December 31, 2019 and 2018:

	Balance January 1, 2019	Increases/ Issuances	Decreases/ Retirements	Balance December 31, 2019	Amount Due Within One Year
Direct Borrowings and Direct Placements:					
Revenue Bonds	\$ 7,686,806	\$ 2,263,333	\$ 3,081,806	\$ 6,868,333	\$ 568,333
Revenue Note	80,000	-	20,000	60,000	20,000
Compensated Absences	326,594	169,214	153,777	342,031	34,203
Totals	<u>\$ 8,093,400</u>	<u>\$ 2,432,547</u>	<u>\$ 3,255,583</u>	<u>\$ 7,270,364</u>	<u>\$ 622,536</u>
Premiums on Bonds Issued	<u>167,856</u>	<u>319,361</u>	<u>99,909</u>	<u>387,308</u>	<u>29,909</u>
Total obligations for financial statement presentation	<u>\$ 8,261,256</u>	<u>\$ 2,751,908</u>	<u>\$ 3,355,492</u>	<u>\$ 7,657,672</u>	<u>\$ 652,445</u>
	Balance January 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance December 31, 2018	Amount Due Within One Year
Revenue Bonds	\$ 8,891,823	-	\$ 1,205,017	\$ 7,686,806	\$ 581,685
Revenue Note	100,000	-	20,000	80,000	20,000
Compensated Absences	310,460	175,623	159,489	326,594	32,659
Totals	<u>\$ 9,302,283</u>	<u>\$ 175,623</u>	<u>\$ 1,384,506</u>	<u>\$ 8,093,400</u>	<u>\$ 634,344</u>
Premiums on Bonds Issued	<u>209,567</u>	<u>-</u>	<u>41,711</u>	<u>167,856</u>	<u>29,909</u>
Total obligations for financial statement presentation	<u>\$ 9,511,850</u>	<u>\$ 175,623</u>	<u>\$ 1,426,217</u>	<u>\$ 8,261,256</u>	<u>\$ 664,253</u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements

At December 31, 2019 and 2018 (Continued)

NOTE 4-LONG-TERM LIABILITIES: (Continued)

The following is a summary of long-term liabilities accounts:

	<u>2019</u>	<u>2018</u>
Revenue Note Payable:		
Revenue Note	\$ 60,000	\$ 80,000
Less Current Portion	<u>(20,000)</u>	<u>(20,000)</u>
Long Term Revenue Note Payable	<u>\$ 40,000</u>	<u>\$ 60,000</u>
Revenue Bonds:		
2009B Series	\$ 4,605,000	\$ 4,830,000
Unamortized Premium	67,947	76,066
Current Portion	<u>(235,000)</u>	<u>(225,000)</u>
Total	<u>\$ 4,437,947</u>	<u>\$ 4,681,066</u>
2009A Series	\$ -	\$ 2,856,806
Unamortized Premium	-	91,790
Current Portion	-	<u>(356,685)</u>
Total	<u>\$ -</u>	<u>\$ 2,591,911</u>
2019B Series	\$ 2,263,333	\$ -
Unamortized Premium	319,361	-
Current Portion	<u>(333,333)</u>	<u>-</u>
Total	<u>\$ 2,249,361</u>	<u>\$ -</u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2019 and 2018 (Continued)

NOTE 4—LONG-TERM LIABILITIES: (Continued)

Prior-Years Defeasance of Debt:

In prior years, the Authority defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2019 and 2018, there were no bonds outstanding that are considered defeased.

(1) Assumption of Debt:

The Authority entered into an agreement dated December 5, 2005 with Greene County (the County). The agreement was effective January 1, 2006, whereby the County assumed a portion of the liabilities and debt payments of three different outstanding bonds. The County assumed 30.07% or \$1,373,250, of the 1997 VRA Water and Sewer Revenue Refunding Bonds plus interest payments totaling \$526,688. The County also assumed 33% or \$3,232,682, of the 2001 VRA Water and Sewer Revenue Bonds plus future interest payments totaling \$2,014,946. Lastly, the County assumed 5% or \$280,750, of the 2002 refunding VRA Water and Sewer Revenue Bonds in addition to \$93,315 of interest payments.

Other Postemployment Benefits

The Authority does not offer postemployment benefits to its employees and, therefore, has not recorded a liability for such benefits required to be reported under GASB 75.

Compliance with Legal Debt Coverage

Section 5.2 of the Authority's revenue bond agreements requires gross revenue less direct operating expenses over the annual debt service of 1.15. The Authority is in compliance as of December 31, 2019.

NOTE 5—RETIREMENT PLAN:

The Authority adopted the "Rapidan Service Authority Retirement Plan" a defined contribution retirement plan in January 1986 and rolled over to and is now administered by ICMA-RC beginning in 2004. The plan is open to all employees over the age of eighteen who have completed one full year of service. The Authority will match up to 6.0% of employee's regular earnings if the employee elects to make a contribution. Vesting begins after three years of service and employee accounts are fully vested after seven full years of service. The Authority has authorized the RSA Board to establish and amend all plan provisions.

The total payroll for all Rapidan Service Authority employees for 2019 and 2018 was \$2,057,684 and \$1,879,928. The payroll for those covered by the plan was \$1,397,438 and \$1,217,934.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements

At December 31, 2019 and 2018 (Continued)

NOTE 5—RETIREMENT PLAN: (Continued)

The Rapidan Service Authority contributed \$75,453 for its covered employees or 5.40% of the covered payroll. The employees contributed \$100,416, or 7.19% of their covered payroll. Employees may elect to contribute in excess of 6.0% of their regular salaries (excluding overtime) although Rapidan Service Authority will not match that portion. There are no loans from the plan to the Authority.

Plan Assets - ICMA-RC	
Balance, January 1, 2019	\$ 2,465,047
Contributions:	
Employer	75,453
Employee	100,416
Plus:	
Unrealized gain (loss)	550,618
Less:	
Distributions	<u>(20,448)</u>
Balance, December 31, 2019	<u>\$ 3,171,086</u>

In 2018, the Rapidan Service Authority contributed \$65,180 for its covered employees or 5.35% of the covered payroll. The employees contributed \$86,674, or 7.12% of their covered payroll. Employees may elect to contribute in excess of 6.0% of their regular salaries (excluding overtime) although Rapidan Service Authority will not match that portion. There are no loans from the plan to the Authority.

Plan Assets - ICMA-RC	
Balance, January 1, 2018	\$ 2,542,666
Contributions:	
Employer	65,180
Employee	86,674
Plus:	
Unrealized gain (loss)	(216,473)
Less:	
Distributions	<u>(13,000)</u>
Balance, December 31, 2018	<u>\$ 2,465,047</u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2019 and 2018 (Continued)

NOTE 6-DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize the Authority 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).

Custodial Credit Risk (Investments)

The Authority does not have an investment policy addressing custodial credit risk.

The Authority’s investments at December 31, 2019 and 2018 were held by the Authority or in the Authority’s name by the Authority’s custodial banks.

Credit Risk of Debt Securities

The Authority does not have an investment policy addressing credit risk of debt securities.

The Authority’s rated debt investments as of December 31, 2019 and 2018 were rated by Standard and Poor’s using Standard and Poor’s rating scale.

Authority's Rated Debt Investments - 2019

<u>Rated Debt Investments Value</u>	<u>Fair Quality Rating</u>	
	<u>AAAm</u>	<u>Aaf</u>
Local Government Investment Pool	\$ 3,940,631	\$ -
VACO/VML Virginia Investment Pool	-	4,764,269
Total	\$ <u>3,940,631</u>	\$ <u>4,764,269</u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
 At December 31, 2019 and 2018 (Continued)

NOTE 6-DEPOSITS AND INVESTMENTS: (Continued)**Credit Risk of Debt Securities: (Continued)**

Authority's Rated Debt Investments - 2018			
Rated Debt Investments Value	Fair Quality Rating		
	AAAm	Aaf	
Local Government Investment Pool	\$ 3,362,098	\$	-
VACO/VML Virginia Investment Pool	-		4,602,531
Total	\$ 3,362,098	\$	4,602,531

Interest Rate Risk

The Authority does not have a policy addressing interest rate risk.

Investment Maturities - 2019*			
Investment Type	Fair Value	Less Than 1 Year	1-5 Years
VACO/VML Virginia Investment Pool	\$ 4,764,269	\$ -	\$ 4,764,269
Local Government Investment Pool	3,940,631	3,940,631	-
Total	\$ 8,704,900	\$ 3,940,631	\$ 4,764,269

* Weighted average maturity in years

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2019 and 2018 (Continued)

NOTE 6-DEPOSITS AND INVESTMENTS: (Continued)

Interest Rate Risk

Investment Maturities - 2018*			
Investment Type	Fair Value	Less Than 1 Year	1-5 Years
VACO/VML Virginia Investment Pool	\$ 4,602,531	\$ -	\$ 4,602,531
Local Government Investment Pool	3,362,098	3,362,098	-
Total	<u>\$ 7,964,629</u>	<u>\$ 3,362,098</u>	<u>\$ 4,602,531</u>

* Weighted average maturity in years

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority has measured fair value of the Virginia Investment Pool at the net asset value (NAV). The Virginia Investment Pool has not placed any restrictions on withdrawals from the fund.

External Investment Pools

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

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represents customer deposits.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2019 and 2018 (Continued)

NOTE 7—CAPITAL ASSETS:

Details of changes in capital assets for the year ended December 31, 2019 are as follows:

	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019
Capital assets not being depreciated:				
Land and improvements	\$ 1,117,306	\$ -	\$ -	\$ 1,117,306
Construction in progress	416,016	960,023	1,370,450	5,589
Total capital assets not being depreciated	<u>\$ 1,533,322</u>	<u>\$ 960,023</u>	<u>\$ 1,370,450</u>	<u>\$ 1,122,895</u>
Capital assets, being depreciated:				
Water system	\$ 34,415,214	\$ 1,005,000	\$ -	\$ 35,420,214
Accumulated depreciation	(19,086,882)	(892,730)	-	(19,979,612)
Total	<u>\$ 15,328,332</u>	<u>\$ 112,270</u>	<u>\$ -</u>	<u>\$ 15,440,602</u>
Sewer system	\$ 63,846,022	\$ 750,632	\$ -	\$ 64,596,654
Accumulated depreciation	(23,914,588)	(1,698,597)	-	(25,613,185)
Total	<u>\$ 39,931,434</u>	<u>\$ (947,965)</u>	<u>\$ -</u>	<u>\$ 38,983,469</u>
Buildings	\$ 378,079	\$ 137,295	\$ -	\$ 515,374
Accumulated depreciation	(256,954)	(9,856)	-	(266,810)
Total	<u>\$ 121,125</u>	<u>\$ 127,439</u>	<u>\$ -</u>	<u>\$ 248,564</u>
Vehicles and equipment	\$ 1,576,186	\$ 411,667	\$ 39,021	\$ 1,948,832
Accumulated depreciation	(1,297,932)	(57,302)	(34,569)	(1,320,665)
Total	<u>\$ 278,254</u>	<u>\$ 354,365</u>	<u>\$ 4,452</u>	<u>\$ 628,167</u>
Office equipment	\$ 345,621	\$ 26,485	\$ -	\$ 372,106
Accumulated depreciation	(299,326)	(9,054)	-	(308,380)
Total	<u>\$ 46,295</u>	<u>\$ 17,431</u>	<u>\$ -</u>	<u>\$ 63,726</u>
Capital assets, net	<u><u>\$ 57,238,762</u></u>	<u><u>\$ 623,563</u></u>	<u><u>\$ 1,374,902</u></u>	<u><u>\$ 56,487,423</u></u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2019 and 2018 (Continued)

NOTE 7-CAPITAL ASSETS: (Continued)

Details of changes in capital assets for the year ended December 31, 2018 are as follows:

	Balance January 1, 2018	Increases	Decreases	Balance December 31, 2018
Capital assets not being depreciated:				
Land and improvements	\$ 1,117,306	\$ -	\$ -	\$ 1,117,306
Construction in progress	56,598	541,017	181,599	416,016
Total capital assets not being depreciated	<u>\$ 1,173,904</u>	<u>\$ 541,017</u>	<u>\$ 181,599</u>	<u>\$ 1,533,322</u>
Capital assets, being depreciated:				
Water system	\$ 33,869,307	\$ 545,907	\$ -	\$ 34,415,214
Accumulated depreciation	(18,211,270)	(875,612)	-	(19,086,882)
Total	<u>\$ 15,658,037</u>	<u>\$ (329,705)</u>	<u>\$ -</u>	<u>\$ 15,328,332</u>
Sewer system	\$ 63,546,562	\$ 299,460	\$ -	\$ 63,846,022
Accumulated depreciation	(22,211,529)	(1,703,059)	-	(23,914,588)
Total	<u>\$ 41,335,033</u>	<u>\$ (1,403,599)</u>	<u>\$ -</u>	<u>\$ 39,931,434</u>
Buildings	\$ 378,079	\$ -	\$ -	\$ 378,079
Accumulated depreciation	(246,697)	(10,257)	-	(256,954)
Total	<u>\$ 131,382</u>	<u>\$ (10,257)</u>	<u>\$ -</u>	<u>\$ 121,125</u>
Vehicles and equipment	\$ 1,354,440	\$ 249,510	\$ 27,764	\$ 1,576,186
Accumulated depreciation	(1,277,426)	(48,270)	(27,764)	(1,297,932)
Total	<u>\$ 77,014</u>	<u>\$ 201,240</u>	<u>\$ -</u>	<u>\$ 278,254</u>
Office equipment	\$ 325,556	\$ 20,065	\$ -	\$ 345,621
Accumulated depreciation	(294,031)	(5,295)	-	(299,326)
Total	<u>\$ 31,525</u>	<u>\$ 14,770</u>	<u>\$ -</u>	<u>\$ 46,295</u>
Capital assets, net	<u><u>\$ 58,406,895</u></u>	<u><u>\$ (986,534)</u></u>	<u><u>\$ 181,599</u></u>	<u><u>\$ 57,238,762</u></u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2019 and 2018 (Continued)

NOTE 8-CONSTRUCTION IN PROGRESS:

Details of construction work in progress for the year ended December 31, 2019 are as follows:

Description	Balance January 1, 2019	Cost of Construction	Expense/ Transfer to Capital assets	Balance December 31, 2019
East Sewer System Upgrades	\$ 230,376	\$ 246,616	\$ 476,388	\$ 604
Greene Sewer Stanardsville	45,573	-	45,573	-
Greene Water	23,260	-	23,260	-
Route 15 Water System Infrastructure	19,070	-	19,070	-
Office Improvements	54,650	61,326	115,976	-
Madison Water System	-	2,231	-	2,231
Madison Sewer	33,006	6,946	39,952	-
Computer Hardware and Software Upgrades	9,705	1,980	9,705	1,980
Greene Water Mains	376	351,486	351,088	774
Total	\$ 416,016	\$ 670,585	\$ 1,081,012	\$ 5,589

Details of construction in progress for the year ended December 31, 2018 are as follows:

Description	Balance January 1, 2018	Cost of Construction	Expense/ Transfer to Capital assets	Balance December 31, 2018
East Sewer System Upgrades	\$ 37,528	\$ 374,447	\$ 181,599	\$ 230,376
Greene Sewer Stanardsville	-	45,573	-	45,573
Greene Water	-	23,260	-	23,260
Route 15 Water System Infrastructure	19,070	-	-	19,070
Office Improvements	-	54,650	-	54,650
Madison Sewer	-	33,006	-	33,006
Computer Hardware and Software Upgrades	-	9,705	-	9,705
Greene Water Mains	-	376	-	376
Total	\$ 56,598	\$ 541,017	\$ 181,599	\$ 416,016

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2019 and 2018 (Continued)

NOTE 9-RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction, of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10-UNEARNED REVENUE:

Unearned revenue consists of lease revenues that are paid in advance at year end.

<u>Source</u>	<u>2019</u>	<u>2018</u>
Water tower rental	\$ <u>56,547</u>	\$ <u>70,420</u>
Total	\$ <u><u>56,547</u></u>	\$ <u><u>70,420</u></u>

NOTE 11-OPERATING LEASE AGREEMENTS:

The Authority has several operating lease agreements with mobile communications companies for antennae-site rental space. All agreements are cancelable at any time by either party.

NOTE 12-ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended December 31, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

The Authority early implemented provisions of Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* during the fiscal year ended December 31, 2019. This Statement simplifies accounting for interest cost incurred before the end of a construction period. Interest cost incurred during construction is expensed and no longer capitalized as part of project costs. No restatement was required as a result of this implementation.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements

At December 31, 2019 and 2018 (Continued)

NOTE 13–UPCOMING FINANCIAL REPORTING PRONOUNCEMENTS:

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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Other Supplementary Information

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Supporting Schedules

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Comparative Schedule of Revenues--Budget and Actual
 Years Ended December 31, 2019 and 2018

	2019			2018		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Water Sales & Penalties	\$ 3,683,385	\$ 4,337,250	\$ 653,865	\$ 3,248,817	\$ 3,163,548	\$ (85,269)
Sewer Operations	4,934,935	5,059,002	124,067	5,034,241	4,803,737	(230,504)
Sale of Materials & Supplies	14,000	47,065	33,065	14,000	35,793	21,793
Maintenance Revenue	10,500	5,805	(4,695)	10,500	2,730	(7,770)
Inspection Fees	5,000	20,448	15,448	5,000	2,798	(2,202)
Miscellaneous/Other	145,300	166,765	21,465	170,300	120,420	(49,880)
Service Installations	212,600	215,940	3,340	147,300	228,240	80,940
Lake of The Woods Non-User Fees	90,372	97,474	7,102	113,280	107,211	(6,069)
Totals	\$ 9,096,092	\$ 9,949,749	\$ 853,657	\$ 8,743,438	\$ 8,464,477	\$ (278,961)

Comparative Schedule of Operating Expenses--Budget and Actual
Years Ended December 31, 2019 and 2018

	2019			2018		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Administrative:						
Personnel	\$ 637,744	\$ 686,060	\$ (48,316)	\$ 616,983	\$ 588,995	\$ 27,988
Maintenance	40,700	41,376	(676)	21,700	33,627	(11,927)
Miscellaneous	100	1,035	(935)	100	434	(334)
Insurance	140,100	137,338	2,762	140,040	125,056	14,984
Billing and Collection	151,121	147,372	3,749	146,510	139,497	7,013
Audit and Consulting	25,000	38,800	(13,800)	25,000	25,807	(807)
Wtr/Swr Regulatory Fees	48,300	67,594	(19,294)	48,300	43,313	4,987
Legal/Bond/Bank Fees	59,100	48,433	10,667	23,100	49,904	(26,804)
Depreciation	24,861	24,861	-	19,736	19,736	-
Board Member Compensation	8,000	8,446	(446)	8,000	7,800	200
State Unemployment Tax	1,245	540	705	1,245	3,777	(2,532)
Training and Education	11,300	17,187	(5,887)	10,400	15,348	(4,948)
Office Supplies and Postage	9,500	9,965	(465)	9,500	10,220	(720)
Utilities	7,500	6,345	1,155	7,500	7,150	350
Communications	60,500	102,245	(41,745)	39,300	76,807	(37,507)
Advertising	1,100	582	518	1,100	931	169
Transportation Vehicle Expense	2,842	4,667	(1,825)	4,100	3,335	765
Total Administrative	\$ 1,229,013	\$ 1,342,846	\$ (113,833)	\$ 1,122,614	\$ 1,151,737	\$ (29,123)
Greene, Route 15 and Route 20						
Water Operations:						
Operating Labor	\$ 241,469	\$ 244,841	\$ (3,372)	\$ 250,834	\$ 236,213	\$ 14,621
Engineering and Design	50,600	23,787	26,813	49,426	20,913	28,513
Maintenance	402,015	283,707	118,308	271,000	166,455	104,545
Treatment Supplies and Materials	30,600	35,670	(5,070)	30,600	26,362	4,238
Vehicle Expense/Gas and Oil	11,767	8,227	3,540	11,700	6,915	4,785
Utilities	105,900	89,926	15,974	105,200	85,783	19,417
Purchased Water	323,520	334,810	(11,290)	283,756	371,947	(88,191)
Testing	38,000	12,710	25,290	39,000	7,964	31,036
Depreciation	498,351	498,351	-	489,553	489,553	-
Total Greene, Route 15 and Route 20 Water Operations	\$ 1,702,222	\$ 1,532,029	\$ 170,193	\$ 1,531,069	\$ 1,412,105	\$ 118,964
Greene Sewer Operations:						
Operating Labor	\$ 115,010	\$ 104,147	\$ 10,863	\$ 101,592	\$ 87,740	\$ 13,852
Engineering and Design	10,486	8,841	1,645	9,963	4,831	5,132
Maintenance	320,715	300,180	20,535	295,200	280,089	15,111
Treatment Supplies and Materials	24,000	19,749	4,251	24,000	25,712	(1,712)
Vehicle Expense/Gas & Oil	10,450	7,576	2,874	7,450	-	7,450
Utilities	102,000	99,068	2,932	100,000	92,691	7,309
Testing/Biosolids Mgmt	53,000	51,819	1,181	58,000	53,028	4,972
Depreciation	666,803	666,803	-	669,230	669,230	-
Total Greene Sewer Operations	\$ 1,302,464	\$ 1,258,183	\$ 44,281	\$ 1,265,435	\$ 1,213,321	\$ 52,114
Madison Water & Sewer Operations:						
Operating Labor	\$ 130,464	\$ 147,016	\$ (16,552)	\$ 123,494	\$ 141,617	\$ (18,123)
Engineering and Design	1,006	2,056	(1,050)	1,101	1,685	(584)
Maintenance	77,300	97,531	(20,231)	70,000	56,788	13,212
Vehicle Expense/Gas & Oil	3,400	2,351	1,049	3,300	4,158	(858)
Utilities	38,000	33,019	4,981	38,000	36,511	1,489
Treatment Supplies & Materials	19,500	14,539	4,961	17,500	19,916	(2,416)
Testing Biosolids Mgmt	29,500	13,785	15,715	25,600	23,076	2,524
Depreciation	106,800	106,800	-	106,200	106,200	-
Total Madison Water & Sewer Operations	\$ 405,970	\$ 417,097	\$ (11,127)	\$ 385,195	\$ 389,951	\$ (4,756)

Comparative Schedule of Operating Expenses--Budget and Actual
Years Ended December 31, 2019 and 2018

	2019			2018		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Gordonsville Sewer Operations:						
Operating Labor	\$ 84,762	\$ 61,535	\$ 23,227	\$ 84,259	\$ 56,590	\$ 27,669
Engineering and Design	4,000	4,261	(261)	6,000	3,323	2,677
Maintenance	149,500	174,260	(24,760)	82,500	119,027	(36,527)
Treatment Supplies & Materials	8,000	7,334	666	8,000	7,160	840
Vehicle Expense/Gas & Oil	3,500	2,423	1,077	2,500	4,213	(1,713)
Purchased Water	500	462	38	500	450	50
Utilities	49,000	51,031	(2,031)	50,000	47,679	2,321
Testing Biosolids Mgmt	12,000	14,871	(2,871)	13,000	15,424	(2,424)
Depreciation	92,700	92,700	-	89,064	89,064	-
Total Gordonsville Sewer Operations	\$ 403,962	\$ 408,877	\$ (4,915)	\$ 335,823	\$ 342,930	\$ (7,107)
Engineering:						
Operating Labor	\$ 59,576	\$ 60,701	\$ (1,125)	\$ 76,517	\$ 54,926	\$ 21,591
Engineering & Design	58,295	297	57,998	167,109	57,899	109,210
Maintenance	600	263	337	29,421	33,911	(4,490)
Vehicle Expense/Gas & Oil	7,000	6,803	197	5,000	5,933	(933)
Engineering Allocation	(58,041)	(560)	(57,481)	(197,472)	(92,186)	(105,286)
Depreciation	97	97	-	3,857	3,857	-
Total Engineering	\$ 67,527	\$ 67,601	\$ (74)	\$ 84,432	\$ 64,340	\$ 20,092
Maintenance:						
Operating Labor	\$ 100,375	\$ 87,163	\$ 13,212	\$ 73,801	\$ 76,537	\$ (2,736)
Maintenance	14,000	14,282	(282)	154,181	142,470	11,711
Materials for Resale	8,300	24,564	(16,264)	8,300	20,430	(12,130)
Utilities	3,000	2,535	465	3,000	3,256	(256)
Vehicles	8,000	5,356	2,644	10,000	9,042	958
Gas and Oil	8,500	11,262	(2,762)	8,500	7,934	566
Maintenance Allocation	-	(1,022)	1,022	(136,768)	(127,933)	(8,835)
Depreciation	18,300	18,300	-	21,217	21,217	-
Total Maintenance	\$ 160,475	\$ 162,440	\$ (1,965)	\$ 142,231	\$ 152,953	\$ (10,722)
Orange East Water & Sewer Operations:						
Operating Labor	\$ 672,568	\$ 629,294	\$ 43,274	\$ 595,825	\$ 601,145	\$ (5,320)
Engineering and Design	63,093	21,486	41,607	61,802	15,618	46,184
Maintenance	933,100	1,078,100	(145,000)	899,100	865,770	33,330
New Service Installations	92,000	109,504	(17,504)	71,058	95,770	(24,712)
Treatment Supplies & Materials	435,800	432,855	2,945	395,800	451,727	(55,927)
Utilities	635,000	643,036	(8,036)	635,000	602,845	32,155
Vehicle Expense/Gas & Oil	67,000	68,556	(1,556)	61,000	65,258	(4,258)
Testing/Biosolids Mgmt	180,000	159,418	20,582	181,000	185,387	(4,387)
Depreciation	1,259,627	1,259,627	-	1,243,635	1,243,635	-
Total Orange East Water & Sewer Operations	\$ 4,338,188	\$ 4,401,876	\$ (63,688)	\$ 4,144,220	\$ 4,127,155	\$ 17,065
TOTALS	\$ 9,609,821	\$ 9,590,949	\$ 18,872	\$ 9,011,019	\$ 8,854,492	\$ 156,527

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Statistical Section

This part of the Rapidan Service Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents

Financial Trends	Tables 1 through 5	Pages 67 through 71
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These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time as well as show how the revenue and expenses are split between the water and sewer departments.

Revenue Trends & Capacity	Tables 6 through 11	Pages 72 through 77
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These schedules contain trend information to help the reader assess the Authority's most significant revenue sources, user rates, and the growth in water and sewer connections.

Debt Service Trends & Capacity	Tables 12 through 13	Pages 78 through 79
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These schedules present trend information to help the reader assess the Authority's current levels of outstanding debt and the capacity to acquire additional debt with appropriate revenue coverage.

Demographic & Economic Information	Tables 14 through 16	Pages 80 through 82
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These schedules offer demographic and economic indicators for Greene, Madison and Orange Counties to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information	Tables 17 through 18	Pages 83 through 84
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This schedule contains service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Sources:

Unless otherwise noted, the information in these schedules is derived from the audited financial reports for the relevant year.

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Net Position by Component
Last Ten Fiscal Years

Primary Government	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net investment in capital assets	\$ 49,500,023	\$ 50,346,770	\$ 49,790,065	\$ 49,986,063	\$ 51,164,310	\$ 50,848,315	\$ 50,463,803	\$ 49,320,418	\$ 49,390,624	\$ 49,205,626
Unrestricted	5,610,948	7,312,379	7,457,077	7,844,403	6,639,933	6,770,465	7,339,472	8,117,865	8,519,914	9,836,974
Total primary government net position	\$ 55,110,971	\$ 57,659,149	\$ 57,247,142	\$ 57,830,466	\$ 57,804,243	\$ 57,618,780	\$ 57,803,275	\$ 57,438,283	\$ 57,910,538	\$ 59,042,600

In 2013, financial reporting provisions of Statements No. 63 and No. 65 were implemented, resulted in terminology change of "net assets" to "net position" and reclassification of previously amortized bond issue costs.

Change in Net Position
Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	Change in Net Position
2010	6,269,011	6,725,418	(318,111)	(774,518)	3,161,692	2,387,174
2011	6,390,120	7,031,862	(332,533)	(974,275)	3,522,453	2,548,178
2012	6,450,275	7,107,963	360,936	(296,752)	4,850	(291,902)
2013	6,593,864	7,243,314	239,730	(409,720)	993,044	583,324
2014	6,737,237	7,759,575	(179,785)	(1,202,123)	1,175,900	(26,223)
2015	7,348,675	8,090,928	(443,866)	(1,186,119)	776,497	(409,622)
2016	7,496,605	7,882,086	(281,030)	(666,511)	851,006	184,495
2017	7,744,683	8,173,542	(11,132)	(439,991)	75,000	(364,991)
2018	8,464,477	8,854,492	527,495	137,480	334,774	472,254
2019	9,949,749	9,590,949	243,328	602,128	529,934	1,132,062

In 2013, financial reporting provisions of Statements No. 63 were implemented, resulted in terminology change of "net assets" to "net position"

Operating Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Water Revenue	Sewer Revenue	Other Revenue	Total
2010	2,166,557	3,820,481	281,973	6,269,011
2011	2,052,321	4,017,524	320,275	6,390,120
2012	2,095,689	4,048,524	306,062	6,450,275
2013	2,123,454	4,094,665	375,745	6,593,864
2014	2,181,735	4,201,611	353,891	6,737,237
2015	2,654,797	4,235,103	458,775	7,348,675
2016	2,694,009	4,343,752	458,844	7,496,605
2017	2,768,061	4,579,082	397,540	7,744,683
2018	3,163,550	4,803,738	497,189	8,464,477
2019	4,337,250	5,059,002	553,497	9,949,749

Operating Expenses by Source
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Employment Costs</u>	<u>Operations</u>	<u>Utilities</u>	<u>Administrative</u>	<u>Subtotal, Expenses before Depreciation</u>	<u>Depreciation</u>	<u>Total Operating Expenses</u>
2010	2,326,987	1,135,144	894,107	367,532	4,723,770	2,001,648	6,725,418
2011	2,265,372	1,461,874	877,649	395,658	5,000,553	2,031,309	7,031,862
2012	2,199,857	1,571,014	869,783	403,802	5,044,456	2,063,507	7,107,963
2013	2,211,987	1,804,649	847,372	416,670	5,280,678	1,962,636	7,243,314
2014	2,204,830	1,648,506	904,091	399,004	5,156,431	2,603,144	7,759,575
2015	2,292,486	1,746,612	955,282	429,054	5,423,434	2,667,494	8,090,928
2016	2,217,468	1,705,609	880,977	458,122	5,262,176	2,619,910	7,882,086
2017	2,264,856	1,993,057	807,665	427,940	5,493,518	2,680,024	8,173,542
2018	2,422,062	2,398,762	875,914	515,262	6,212,000	2,642,492	8,854,492
2019	2,738,982	2,649,030	924,961	610,437	6,923,410	2,667,539	9,590,949

Nonoperating Revenues and Expenses
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Interest Expense</u>	<u>Gain on Disposal of Assets</u>	<u>Other Costs</u>	<u>Other Income (Expenses)</u>	<u>Lease Revenue</u>	<u>Availability Fees</u>	<u>Total Nonoperating Income/(Expenses)</u>
2010	34,160	(591,840)	650	59,075	39,081	140,763	-	(318,111)
2011	58,734	(550,630)		57,081	(42,886)	145,168	-	(332,533)
2012	54,088	(749,829)	100	69,582	12,712	149,283	825,000	360,936
2013	32,711	(686,395)	250	21,477	(19,095)	153,282	737,500	239,730
2014	27,692	(598,304)	5,375	84,016	(29,008)	185,444	145,000	(179,785)
2015	25,101	(550,870)	-	76,385	(272,421)	187,939	90,000	(443,866)
2016	25,051	(433,506)	1,351	-	(370,002)	191,076	305,000	(281,030)
2017	37,807	(390,655)	1,250	-	(394,374)	194,640	540,200	(11,132)
2018	127,736	(344,138)	2,000	-	(446,435)	198,332	990,000	527,495
2019	245,447	(281,718)	33,348	(37,532)	(1,143,093)	208,876	1,218,000	243,328

Availability Income prior to 2012-2013 is included in capital contributions.

Water Consumed and Wastewater Treated
Last Ten Fiscal Years

Fiscal Year	Gallons of Water Purchased/ Treated (Millions)	Gallons of Wastewater Treated (Millions)
2010	638.0	454.2
2011	601.9	487.4
2012	603.0	473.5
2013	613.7	561.1
2014	621.6	507.6
2015	638.3	503.3
2016	626.3	464.4
2017	596.6	458.1
2018	628.0	615.4
2019	641.9	556.9

Data internally compiled from Rapidan Service Authority.

Annual Number of EDU's Purchased
Last Ten Fiscal Years

Fiscal Year	Water EDUs*	Sewer EDUs*	Total EDUs*
2009	62	36	98
2010	16	43	59
2011	16	16	32
2012	37	38	75
2013	34	33	67
2014	32	34	66
2015	38	31	69
2016	56	74	130
2017	28	61	89
2018	51	50	101
2019	60	61	121

* Equivalent Dwelling Units

Data internally compiled from Rapidan Service Authority

Number of Water and Sewer Accounts by Type
Last Ten Fiscal Years

Fiscal Year	Water										Total
	Residential					Non-Residential					
	Greene	Rte 15 G'ville	Rte 20	LOW / Wilderness	Madison	Greene	Rte 15 G'ville	Rte 20	LOW / Wilderness	Madison	
2010	2,382	94	133	4,279	175	274	19	12	69	110	7,547
2011	2,424	96	133	4,291	176	274	19	12	69	110	7,604
2012	2,466	96	133	4,322	176	276	19	13	69	110	7,680
2013	2,488	96	133	4,378	177	277	19	13	71	110	7,762
2014	2,506	96	133	4,408	177	277	19	13	72	110	7,811
2015	2,526	96	133	4,445	177	278	20	13	72	112	7,872
2016	2,566	97	135	4,477	177	281	20	13	72	112	7,950
2017	2,585	97	135	4,528	177	281	20	13	72	112	8,020
2018	2,630	97	136	4,611	177	281	20	13	73	112	8,150
2019	2,708	97	136	4,736	177	281	20	13	73	112	8,353

Fiscal Year	Sewer										Total
	Residential					Non-Residential					
	Greene	Rte 15 G'ville	Rte 20	LOW / Wilderness	Madison	Greene	Rte 15 G'ville	Rte 20	LOW / Wilderness	Madison	
2010	666	690	0	4,310	90	109	14	0	69	84	6,032
2011	702	690	0	4,322	91	109	14	0	70	84	6,082
2012	733	690	0	4,353	91	111	14	0	70	84	6,146
2013	753	690	0	4,409	91	112	14	0	73	84	6,226
2014	771	690	0	4,440	91	112	14	0	74	84	6,276
2015	792	691	0	4,478	91	114	14	0	74	84	6,338
2016	835	717	0	4,510	91	117	14	0	74	84	6,442
2017	854	749	0	4,561	92	117	14	0	74	84	6,545
2018	862	749	0	4,644	92	117	14	0	75	84	6,637
2019	864	749	0	4,769	92	177	14	0	75	84	6,824

Non-Users		
Fiscal Year	Greene County	LOW / Wilderness
2010	36	574
2011	36	572
2012	36	569
2013	36	555
2014	36	539
2015	36	509
2016	36	483
2017	36	453
2018	36	442
2019	36	402

Data internally compiled from Rapidan Service Authority

Water and Sewer Rates
Last Ten Years

Water Rate per 1,000 Gallons										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Greene County	\$ 3.30	\$ 3.30	\$ 3.30	\$ 3.30	\$ 3.30	\$ 3.47	\$ 3.47	\$ 3.47	\$ 4.22	\$ 4.97
Rte 15	4.20	4.20	5.10	5.10	5.10	5.10	5.10	6.12	6.12	6.12
Rte 20	1.97	2.36	2.36	2.36	2.36	2.36	2.36	2.83	2.83	2.83
LOW/Wilderness	3.08	3.08	3.08	3.08	3.08	3.08	3.08	3.70	3.70	3.70
Madison County	3.85	3.85	3.85	4.62	5.08	5.59	5.59	5.59	8.27	9.27
Gordonsville (Contract)	3.06	3.26	3.83	3.83	4.30	4.30	4.30	5.16	5.55	5.60

Sewer Rate per 1,000 Gallons										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Greene County	\$ 7.60	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 8.38	\$ 8.38	\$ 8.38	\$ 8.78	\$ 9.18
Gordonsville	6.83	6.83	6.83	6.83	6.83	6.83	6.83	8.54	8.54	8.54
LOW/Wilderness	11.39	11.39	11.39	11.39	11.39	11.39	11.39	12.53	12.53	12.53
Madison County	7.20	7.20	7.20	8.64	9.50	10.45	10.45	10.45	16.35	17.35

Please see Table 10 for a full listing of RSA's current rates
Data internally compiled from Rapidan Service Authority

Schedule of Rates
At December 31, 2019

	<u>Water</u>	<u>Sewer</u>
Greene County Water & Sewer Systems		
Minimum Monthly Charge 0-2000 gal.	\$12.94	\$26.42
Rate Per 1000 Gallons	\$ 4.97	\$ 9.18
% of Water Usage		100%
Non-Residential (Existing Accounts Only)	150% of above rates	
Unmetered Accounts - Flat Fee		\$ 63.14
Availability Fee Per EDU	\$10,000	\$10,000
Greene County Facility Fee - Per EDU	\$30.00	\$10.00
Orange County, Rte. 15 Water System		
Minimum Monthly Charge 0-2000 gal.	\$15.24	
Rate Per 1000 Gallons:	\$6.12	
Availability Fee Per EDU	\$10,000	
Town of Gordonsville Wholesale Rate	\$5.60	
Orange County, Rte. 20 Water System		
Minimum Monthly Charge 0-2000 gal.	\$8.66	
Rate Per 1000 Gallons:	\$2.83	
Availability Fee Per EDU	\$10,000	
Gordonsville Sewer System		
Minimum Monthly Charge 0-2000 gal.		\$20.08
Rate Per 1000 Gallons		\$8.54
% of Water Usage		90%
Availability Fee Per EDU		\$10,000
East Water & Sewer Systems		
Minimum Monthly Charge 0-2000 gal. (Inside LOW)	\$10.40	\$42.06
Minimum Monthly Charge 0-2000 gal. (Outside LOW)	\$10.40	\$35.06
Rate Per 1000 Gallons	\$3.70	\$12.53
% of Water Usage		90%
Monthly Non-User Fee	\$3.00	\$17.00
Availability Fee Per EDU	\$10,000	\$10,000
Unmetered Accounts - Flat Fee (Inside LOW)		\$ 87.17
Unmetered Accounts - Flat Fee (Outside LOW)		\$ 80.17
Madison Water & Sewer Systems		
Minimum Monthly Charge 0-2000 gal.	\$21.54	\$37.70
Rate Per 1000 Gallons	\$9.27	\$17.35
% of Water Usage		90%
Availability Fee Per EDU	\$10,000	\$10,000
Unmetered Accounts - Flat Fee		\$ 100.16
Summer Conservation Surcharge (All water systems)		
Water billed for usage over 6000 gallons (July-October)	Additional \$1.00/1000 Gallons	
Hydrant Sales		
Rate Per 1000 Gallons	\$15.00	
Septage Hauling		
Rate Per 1000 Gallons		\$100.00

Five Largest Customers
Current Year and Ten Years Ago

2010		
Customer	Type	Annual Consumption
Customer 1	Municipality	88,559,200
Customer 2	Mobile Home Park	5,620,700
Customer 3	Public School System	5,387,500
Customer 4	Nursing Home Facility	4,404,400
Customer 5	Commercial Complex	3,781,200
2019		
Customer	Type	Annual Consumption
Customer 1	Municipality	76,419,700
Customer 2	Public School System	4,564,400
Customer 3	Nursing Home	4,269,800
Customer 4	Public School System	2,954,300
Customer 5	Mobile Home Park	1,697,600

Data internally compiled from Rapidan Service Authority

Ratio of Outstanding Debt
Last Ten Fiscal Years

Fiscal Year	Revenue Bonds	Revenue Note	Premium on Bonds	Deferred Refunding	Total Debt (1)	Number of Accounts (2)	Debt per Account
2010	17,022,260	240,000	645,316	(583,699)	17,323,877	14,239	1,217
2011	15,996,829	220,000	572,772	-	16,789,601	14,294	1,175
2012	14,933,733	200,000	503,189	-	15,636,922	14,431	1,084
2013	13,504,470	180,000	491,715	-	14,176,185	14,579	972
2014	12,399,206	160,000	407,699	-	12,966,905	14,662	884
2015	11,237,858	140,000	331,313	-	11,709,171	14,755	794
2016	10,123,926	120,000	265,852	-	10,243,926	14,911	687
2017	8,891,823	100,000	209,567	-	9,201,390	15,507	593
2018	7,686,806	80,000	167,856	-	7,934,662	15,718	505
2019	6,868,333	60,000	387,308	-	7,315,641	16,068	455

Data internally compiled from Rapidan Service Authority

- (1) Does not include compensated absences
- (2) Accumulation of water, sewer and non-user accounts

Pledged-Revenue Coverage
Last Ten Fiscal Years

Period Ended December 31,	Gross Revenues (1)	Operating Expenses (2)	Available for Debt Service	Principal	Debt Service Requirements Interest (3)	Total	Coverage
2010	9,310,121	4,664,695	4,645,426	1,074,031	591,840	1,665,871	2.79
2011	7,917,296	4,943,472	2,973,824	1,045,431	550,630	1,596,061	1.86
2012	7,496,308	4,974,874	2,521,434	1,083,096	749,829	1,832,925	1.38
2013	7,962,556	5,259,201	2,703,355	1,409,264	686,395	2,095,659	1.29
2014	7,071,740	5,072,415	1,999,325	1,125,264	598,304	1,723,568	1.16
2015	7,379,294	5,347,049	2,032,245	1,181,348	550,870	1,732,218	1.17
2016	7,649,081	5,262,176	2,386,905	1,133,932	433,506	1,567,438	1.52
2017	8,124,206	5,493,518	2,630,688	1,252,103	390,655	1,642,758	1.60
2018	9,336,110	6,212,000	3,124,110	1,225,017	344,138	1,569,155	1.99
2019	10,512,327	6,923,410	3,588,917	603,450	281,718	885,168	4.05

(1) Includes availability fees & WQIF Grant funds received

(2) Excludes depreciation

(3) Interest does not include cip interest during construction

Demographic and Economic Statistics
Last Ten Years

Greene County				
Calendar Year	Population (1)	Per Capita Income	Total Personal Income (2)	Unemployment Rate (3)
2010	18,457	37,330	688,998,000	6.1%
2011	18,669	39,271	733,150,000	5.3%
2012	18,771	40,880	767,362,000	4.9%
2013	19,320	42,112	791,878,000	3.4%
2014	19,618	not available	not available	4.2%
2015	19,840	36,873	701,736,000	3.0%
2016	19,785	39,681	760,363,000	2.9%
2017	19,985	40,175	778,226,000	3.5%
2018	19,959	43,055	844,388,000	2.6%
2019	20,097	44,383	877,585,000	2.3%

Madison County				
Calendar Year	Population (1)	Per Capita Income	Total Personal Income (2)	Unemployment Rate (3)
2010	13,289	34,697	461,095,000	0.0%
2011	13,171	37,558	494,674,000	4.8%
2012	13,200	39,696	523,987,000	4.8%
2013	13,333	40,197	530,597,000	3.5%
2014	13,353	not available	not available	3.8%
2015	13,099	41,194	541,990,000	2.9%
2016	13,099	43,773	574,942,000	2.7%
2017	13,190	47,435	620,349,000	3.2%
2018	13,278	47,022	624,316,000	2.5%
2019	13,251	48,822	649,082,000	2.2%

Orange County				
Calendar Year	Population (1)	Per Capita Income	Total Personal Income (2)	Unemployment Rate (3)
2010	33,553	34,618	1,161,546,000	0.0%
2011	33,922	35,906	1,217,991,000	0.0%
2012	34,246	37,141	1,271,937,000	0.0%
2013	34,143	38,149	1,323,344,000	5.1%
2014	34,487	not available	not available	5.3%
2015	34,015	39,190	1,372,657,000	4.0%
2016	33,777	42,166	1,492,044,000	3.7%
2017	34,521	43,679	1,552,063,000	4.4%
2018	35,582	46,293	1,669,934,000	3.3%
2019	35,921	49,010	1,795,932,000	3.0%

(1) Data compiled through the Weldon Cooper Center for Public Service and is subject to changes as estimates are refined

(2) Data compiled through the Bureau of Economic Analysis and is subject to change as estimates are refined

(3) Data compiled through the Virginia Employment Commission and is subject to changes as estimates are refined

Construction Permits
Last Ten Calendar Years

Fiscal Year	Greene	Madison	Orange
2010	228	27	54
2011	83	31	71
2012	76	28	167
2013	76	31	109
2014	76	31	86
2015	98	45	93
2016	98	41	145
2017	67	67	181
2018	139	69	200
2019	N/A	N/A	190

Data compiled from Greene, Madison and Orange Counties
Includes Single Family Residences and Apartments
Data from Greene and Madison was unavailable at this time

Principal Employers
Current Year and Ten Years Ago

		2010		2019	
	Employer	# of Employees	Employer	# of Employees	
Greene County	Greene County School Board	500 - 999 Employees	Greene County School Board	500 - 999 Employees	
	Video Gaming Technologies	100 - 249 Employees	Wal Mart	100 - 249 Employees	
	Wal-Mart	100 - 249 Employees	County of Greene	100 - 249 Employees	
	County of Greene	100 - 249 Employees	Lowe's Home Centers, Inc	100 - 249 Employees	
	Evergreen Nursing Center	50 - 99 Employees	Stanardsville Healthcare, LLC	100 - 249 Employees	
Madison County	Madison County School Board	250 - 499 Employees	Madison County School Board	250 - 499 Employees	
	Plow & Hearth, LLC	250 - 499 Employees	Plow & Hearth LLC	250 - 499 Employees	
	Woodberry Forest School	100 - 249 Employees	Woodberry Forest School	250 - 499 Employees	
	County of Madison	100 - 249 Employees	County of Madison	100 - 249 Employees	
	Autumn Corporation	100 - 249 Employees	Madison Wood Preservers, Inc	100 - 249 Employees	
Orange County	Orange County School Board	500 - 999 Employees	Orange County School Board	500 - 999 Employees	
	Von Holtzbrink Publishing	250 - 499 Employees	County of Orange	250 - 499 employees	
	Germanna Community College	250 - 499 Employees	Von Holtzbrink Publishing	250 - 499 employees	
	County of Orange	250 - 499 Employees	American Woodmark Corporation	250 - 499 employees	
	Orange County Nursing Home	100 - 249 Employees	Aerojet General Corp	250 - 499 employees	

Data compiled through Virginia Employment Commission using 3rd quarter 2019 and 3rd quarter 2010 figures

Number of Employees by Identifiable Activity
Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Plant Operators	14	14	14	15	17	15	14	14	14	14
Maintenance / Construction	18	18	18	15	14	14	13	14	14	14
Admin/Customer Service/Engineering	12	12	12	11	10	10	10	11	12	12
Total	44	44	44	41	41	39	37	39	40	40

Data internally compiled from Rapidan Service Authority

Operating and Capital Indicators
Last Ten Fiscal Years

Drinking Water	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Produced/Purchased (millions of gallons)										
Greene	218.2	206.4	205.2	212.6	223.8	220.1	210.4	205.9	203.7	212.4
Rte. 15	113.7	96.2	101.5	99.2	98.0	110.7	101.1	81.0	108.3	99.9
Rte 20	7.7	7.6	7.3	7.2	6.9	7.4	6.5	6.7	7.8	7.5
LOW/Wilderness	270.2	264.0	262.0	265.6	268.3	231.5	282.5	274.8	280.1	294.7
Madison	28.2	27.7	27.0	29.1	24.6	25.9	25.8	28.2	28.1	27.4
Water Storage Capacity (gallons)										
Greene	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000
Rte. 15/G'ville	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Rte 20	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
LOW/Wilderness	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
Madison	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Miles of Water Mains										
Greene	76	77	77	77	77	77	77	77	77	77
Rte. 15/G'ville	13	13	13	13	13	13	13	13	13	13
Rte. 20	5	5	5	5	5	5	5	5	5	5
LOW/Wilderness	71	71	71	73	73	73	73	73	73	73
Madison	8	8	8	8	8	8	8	8	8	8
Number of Treatment Plants	3	3	3	3	3	3	3	3	3	3
Wastewater Treatment										
Miles of Sewer Line										
Greene	40	42	42	42	42	42	42	42	42	42
Gordonsville	17	17	18	18	18	18	18	18	18	18
LOW/Wilderness	88	89	89	90	90	90	90	90	90	90
Madison	3	3	3	3	3	3	3	3	3	3
Number of Treatment Plants	5	5	5	5	5	5	5	5	5	5
Amount Treated Annually (millions of gallons)										
Greene	63.9	64.3	63.4	64.8	71.0	71.8	66.8	72.0	83.8	72.5
Gordonsville	115.0	116.5	111.4	155.3	126.6	126.0	112.1	87.0	200.9	173.0
LOW/Wilderness	257.9	287.3	282.5	321.9	291.9	282.9	260.2	273.6	295.8	284.6
Madison	17.4	19.3	16.2	19.1	18.1	22.6	25.3	25.1	34.7	26.8

Data internally compiled from Rapidan Service Authority

Fact Sheet

The Rapidan Service Authority (RSA) presently employs 40 personnel and maintains two administrative offices. The West office is located on Route 33 in Ruckersville. Located on Route 3, the East office is one-half mile west of the Lake of the Woods subdivision. The General Manager's administrative staff includes a West Manager, East Manager, two (2) Office Managers, two (2) Customer Service Representatives, Accountant, and Financial and Administrative Services Manager. Engineering staff includes the Director of Projects and Engineering Technician. The West Manager and East Manager oversee the operations of all treatment facilities and the maintenance of the water and wastewater systems. RSA East and West maintain separate storage facilities for inventory and equipment.

In Greene County, RSA owns and operates the Greene Water Treatment Plant which has a capacity of 1,200,000 gallons per day (gpd) as well as a county-wide distribution system. The Lydia Springs were abandoned in 2009. The county-wide distribution system consists of five water storage tanks: a 1,000,000 gallon elevated tank on Preddy Creek Road, a 1,000,000 gallon steel ground tank located on Amicus Road west of Quinque, a 300,000 gallon steel ground storage tank on Gilbert Road, a 112,000 gallon concrete ground tank in Stanardsville, and a 100,000 gallon steel elevated tank located on Spotswood Trail west of Quinque. The distribution mains are PVC and DI pipe sized from 2" and smaller up to 20", plus some cast iron pipe in Stanardsville, and when combined along with 265 fire hydrants, equal approximately 80 miles of mains. The Greene County water system serves over 2,900 connections in 46 subdivisions and the Town of Stanardsville. The water treatment plant consists of two identical 600,000 gpd Neptune Microfloc Plants placed into service in December 1988 and October 2001.

RSA owns and operates an 180,000 gpd wastewater treatment plant in Stanardsville that is a land application system with two primary aerated lagoons and a 120 day storage pond. The collection system consists of a mix of low pressure sewer, using home grinder pump stations and a gravity system, with 5 major pump stations. In 2006 RSA began operating the Rapidan Publicly Owned Treatment Works (POTW) that has a capacity of 0.6 million gallons per day which features an oxidation ditch, two clarifiers, two digesters, a sludge centrifuge and an aerated discharge to the Rapidan River at Route 29. The Rapidan POTW collection system has seven major pump stations and serves the Ruckersville area. There are approximately 979 sewer customers in Greene County with 44 miles of sewer mains.

RSA owns and maintains the water distribution system on Route 15, between Orange and Gordonsville. The Town of Orange supplies the Route 15 system water via contract. In 2001, Orange County approved RSA to operate the Thomas E. Lee Industrial Park water system. In 2002, Orange County installed a one million gallon storage tank with 12" and 16" mains between the new tank and the Lee Industrial Park with RSA operating the new system. The RSA Route 15 line consists of about 13 miles of PVC and asbestos-cement pipe and a 500,000-gallon steel ground storage tank located on the Sedwick's farm on Route 15 south of Orange. This system serves 117 customers including the Lee Industrial Park, EDM, MPS, the Town of Gordonsville, and includes 28 fire hydrants.

The Route 20 water system East of Orange is supplied by a well at the storage tank site on Porter Road. It was deeded to RSA in 1993, contains approximately 5 miles of line, a 150,000-gallon steel elevated storage tank, a 30 gpm well at the tank site, and 22 fire hydrants. RSA installed a corrosion inhibitor system in 1993. In 2014 RSA installed a new well on May Lane and its capacity is 40 gpm. This system serves 149 customers.

From November 1, 1984 through June 30, 1990, RSA contracted with the Town of Madison to operate their water and sewer treatment plants. On March 1, 1993, RSA became the owner of these systems. The Madison water plant has a rated capacity of 250,000 gpd and serves 289 connections. The water distribution system contains 8 miles of mains with a 500,000 gallon concrete ground tank. The 75,000 gallon steel elevated tank was removed in 2003. White Oak Lake reservoir is owned and maintained by RSA. The wastewater treatment plant has a licensed capacity of 80,000 gpd. In 2003, an additional concrete digester and three new solids drying beds were added to the wastewater treatment plant. The gravity sewer system includes 3 miles of 8" concrete & PVC pipe, two pump stations and serves 176 customers.

In August 1985, the Town of Gordonsville transferred ownership of the Gordonsville sewer treatment plant and collection system to RSA. The plant was under a State Water Control Board order to upgrade and meet more stringent discharge limitations. A new Wastewater Treatment Plant, costing three million dollars, was put into service in July 1988 with a licensed capacity of 667,000 gpd. The new plant utilizes all facets of the old plant, but adds two storage ponds, three pump stations, approximately forty-five acres of spray terraces using overland flow treatment, and a final discharge. A post aeration system was added in 1994. In 2003, the 12" gravity sewer interceptor line was relined from Main Street to High Street and in 2006 Faulconer Street's sewer main was relined. The collection system consists of approximately 18 miles of PVC and concrete main, with approximately 190 manholes and three pump stations.

On November 1, 1987, RSA acquired ownership of the Lake of the Woods (LOW) water and sewer system. The original LOW system has been expanded and now includes Wilderness Shores, Somerset Farms, Germanna Community College, Germanna Heights and commercial development along Route 3. The RSA East system is located 15 miles west of Fredericksburg, Virginia on State Route 3.

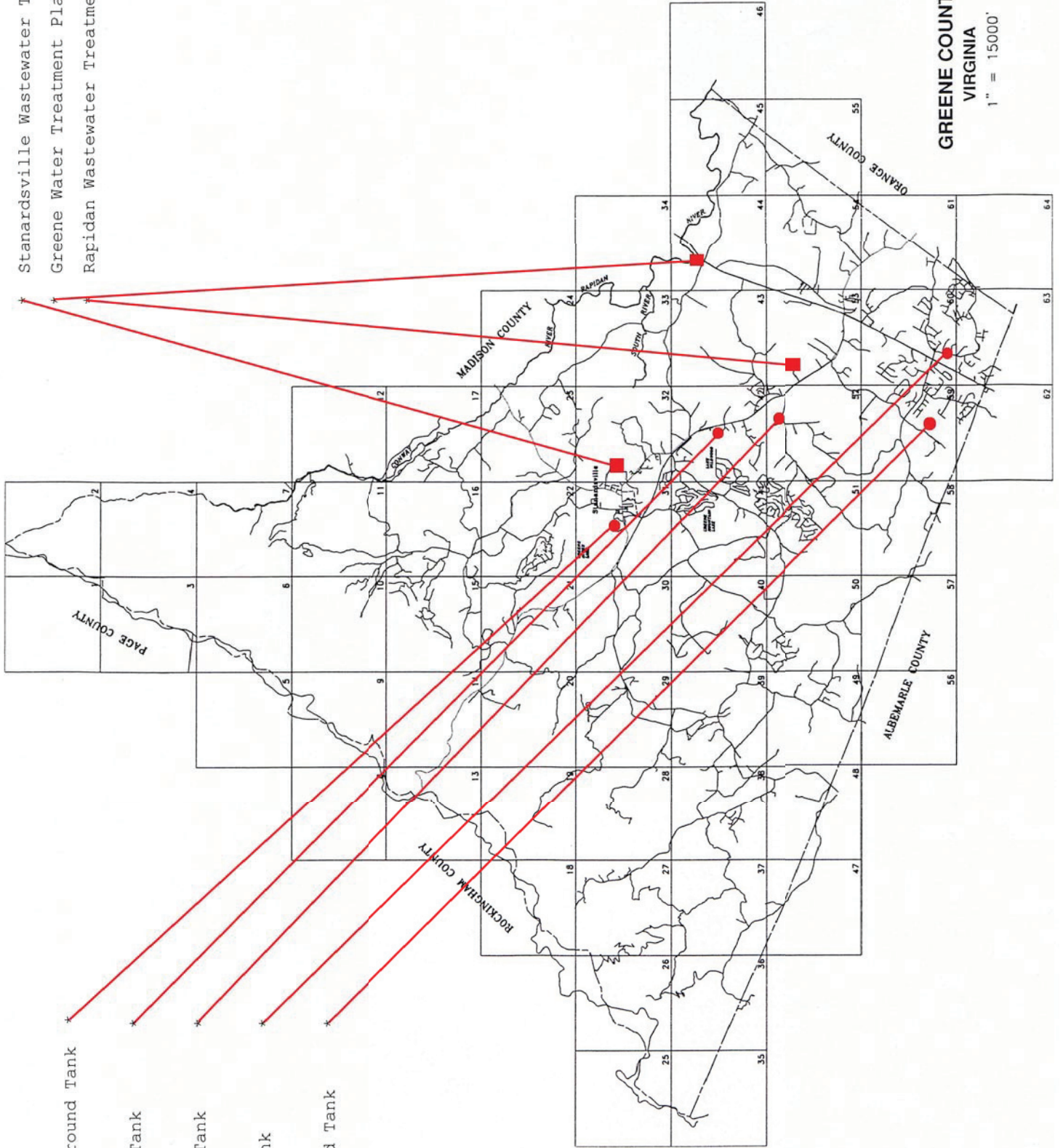
The East system consists of 2½" to 12" PVC and AC mains and 154 fire hydrants. Water storage consists of a 300,000 gallon ground steel storage tank with a booster pump station rated at 250 gpm, and a 500,000 gallon elevated steel tank. In 1991, a 1.6 million gpd water treatment plant was put into service, consisting of dual train Neptune Microfloc treatment units, with a 250,000 gallon elevated storage tank. The water source is the Rapidan River intake pump station with two 2,000 gpm pumps and one 1,100 gpm pump. The plant is connected to the LOW subdivision via 12' PVC transmission main along the Route 3. In 2002, RSA installed 12" PVC water main along Lakeview Parkway from Fairfax Lane to Gold Valley Road to enhance the transfer of water throughout the subdivision. In 2004, a new 500,000 gallon concrete clearwell tank and high service pump station were placed in service at the Wilderness Water Treatment Plant. In 2012, Orange County installed a new 500,000 gallon elevated water tank on the middle school site and upgraded 4,700 feet of 12" water main on Confederate Drive and Yorktown Boulevard. The water system consists of approximately 75 miles of water mains. There are approximately 4,680 connections on the East system including 5 subdivisions and 3 shopping centers.

The LOW sewer system consists of a vacuum collection system with 13 vacuum stations and three lift stations. The system contains 4" to 10" vacuum mains, 10" concrete gravity mains, 3" to 8" PVC force mains and approximately 1,600 holding tanks. Sewage is held in these tanks until the vacuum pumps collect and transport the waste to the treatment plant. The previously existing 250,000 gpd treatment facility was in service until 1992. RSA also upgraded the trunk collection mains including 6" to 10" PVC, and 69 plug valves. The sewer system consists of approximately 91 miles of sewer mains. In 1992 and 1993, all thirteen vacuum stations were completely renovated. RSA continues to upgrade the vacuum system every year.

Station R was constructed to transfer wastewater from the old plant to the new plant. The Wilderness Shores 15" gravity collection system was installed and the Germanna College sewer pump station and force main was completed. In 1999, Somerset Farms contributed a 12" water main and various water distribution mains along with a sewer pump station, 8" force main and 8" gravity mains to serve this 320 lot subdivision. In 1999, a new liner was installed in the original treatment pond on Route 3. This facility currently acts as a backup holding pond in the event of a system failure at the primary pump station. In 2000, the plant was re-rated to 715,000 gpd based on existing treatment. In 2001, vacuum stations in LOW were upgraded and equipped with primary and backup pumps. There are a total of 13 pump stations inside the Lake of the Woods development and 10 outside of Lake of the Woods with a total of 4,684 connections.

In 2012, RSA completed the Wilderness wastewater treatment plant upgrade with an expanded capacity to 2.0 MGD, using state of the art treatment processes. This upgrade was required to meet the stringent Chesapeake Bay regulations for total nitrogen and total phosphorus removal. The treatment processes include a three train five stage Bardenpho process contained in cast-in-place concrete tanks with common walls and individual tank mixers and fine bubble diffusers plus dechlorination for the two aerobic zones. Three Clarifiers capture the solids followed by a rapid mix flocculation tank, and a continuous backwashing tertiary sand filtration system. Finally, the effluent is disinfected using a hypochlorite solution and aerated by coarse bubble diffusers before being discharged to the Rapidan River. The treatment's captured solids are thickened and sent to two aerobic digesters in concrete tanks and pressed through a new plate and frame press. The entire treatment processes are controlled by an integrated monitoring and control system using PLC logic through a SCADA system accessible from two computer servers and five local stations at the important treatment units.

Stanardsville Wastewater Treatment Plant
 Greene Water Treatment Plant
 Rapidan Wastewater Treatment Plant



Stanardsville Ground Tank
 -
 Route 33 Water Tank
 -
 Quingue Ground Tank
 -
 Preddy Creek Tank
 -
 Route 644 Ground Tank

GREENE COUNTY
VIRGINIA
 1" = 15000'



Wilderness Wastewater Treatment Plant

Wilderness Water Treatment Plant

Route 601 Water Tank

Fairway Drive Water Tank

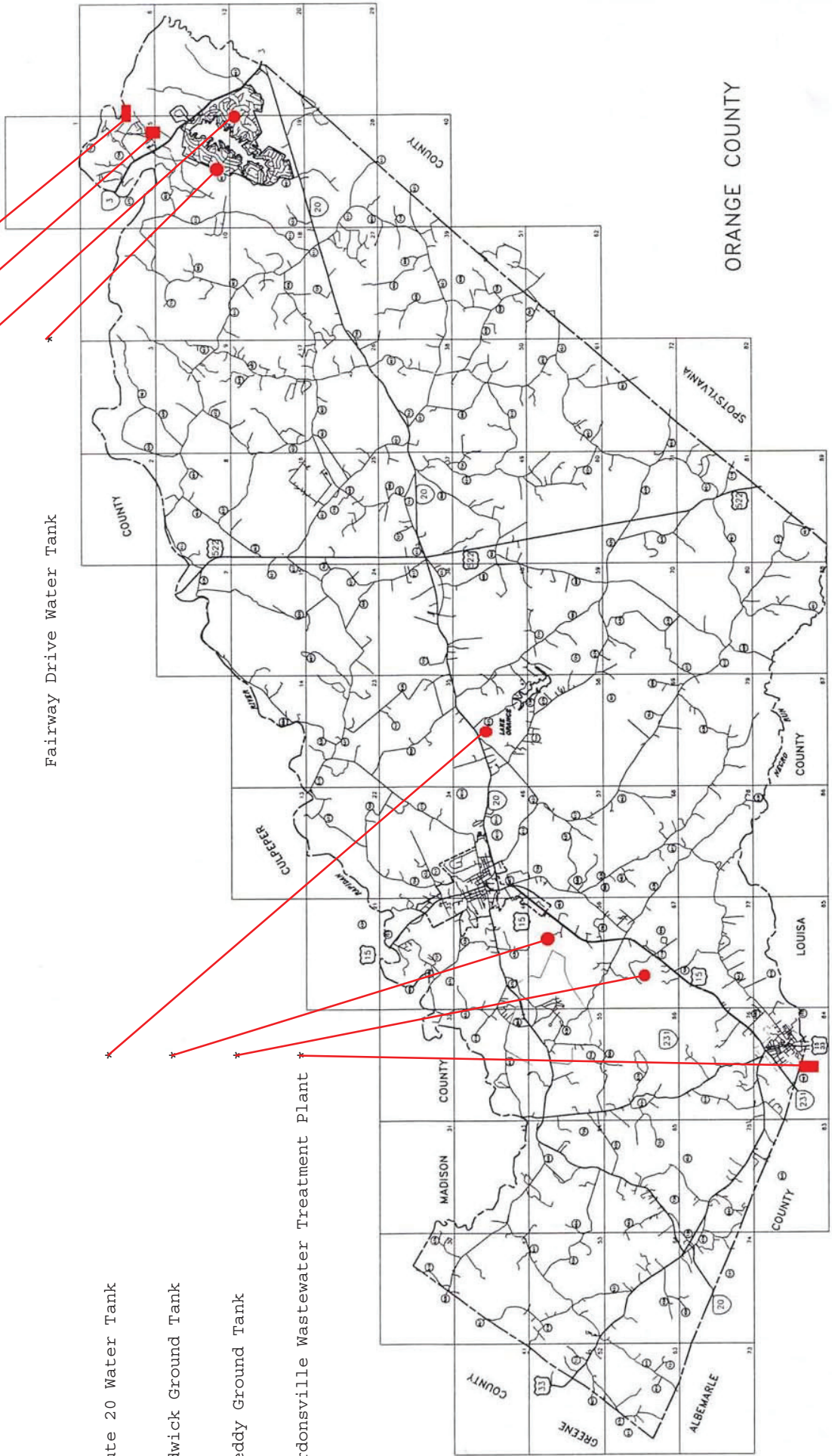
Route 20 Water Tank

Sedwick Ground Tank

Preddy Ground Tank

Gordonsville Wastewater Treatment Plant

ORANGE COUNTY





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

**To the Board of Directors
Rapidan Service Authority
Ruckersville, 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 of Rapidan Service Authority as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Rapidan Service Authority's basic financial statements and have issued our report thereon dated May 29, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

May 29, 2020