MOUNT ROGERS COMMUNITY SERVICES

FINANCIAL REPORT

June 30, 2020

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INTRODUCTORY SECTION

MOUNT ROGERS COMMUNITY SERVICES

DIRECTORY OF PRINCIPAL OFFICIALS
For Year Ended June 30, 2020

Officers

Ms. Barbara Bartnik – Chairperson

Ms. Susan Sneed – Vice Chairperson

Ms. Mary Coulson – Treasurer

Ms. Joanne Groseclose – Secretary

Board of Directors

Bland County
Ms. Kathy Havens

Carroll County
Ms. Mary Coulson
Mr. Gerald Goad
Ms. Mava Vass

City of Galax
Ms. Sharon Plichta

Grayson County
Ms. Kathy Cole
Mr. Thomas Revels

Smyth County
Ms. Joanne Groseclose
Ms. Susie Jennings
Ms. Beverly Mountain
Ms. Susan Sneed

Wythe County
Ms. Barbara Bartnik
Mr. Joe Bean
Mr. Jamie Smith

Officials

Sandy Bryant .... Executive Director

Patricia Belcher .... Director of Finance and Administration Services

Bob Gordon .... Director of Human Resources

Frank Dowell .... Director of IDCS and Developmental Day Support

Kara Holbrook .... Division Director of Youth & Family Services

Vacant .... Division Director of Adult Behavioral Health Services

Wendy Gullion .... Division Director of Developmental & Residential Services

Kimberly Taylor .... Director of Nursing & Developmental Case Management Services

Bobby Miglani .... Medical Director

Samantha Crockett .... Director of Prevention and Wellness

Lakesha Mayes .... Director of Grant Writing and Agency Advancement

Laura Davis .... Director of Compliance and CQI

Logan Nester .... Director of Communications and Public Relations

Mount Rogers
COMMUNITY SERVICES

- **Executive Director**
  Sandy Bryant
  - **Director of Executive Office Operations**
    Kathy Cressel
  - **Administrative Services**
    - **Director of Finance and Administrative Services**
      Patty Belcher
    - **Director of Human Resources**
      Bob Gordon
    - **Director of Compliance and Continuous Quality Improvement**
      Laura Davis
    - **Director of Communications and Public Relations**
      Logan Nester
    - **Director of Grant Writing and Agency Advancement**
      Lakesha Mayes
  - **Clinical and Employment Services**
    - **Director of IDC's and Developmental Day Support Services**
      Frank Dowell
    - **Medical Director**
      Dr. Bobby Miglani
    - **Division Director of Developmental and Residential Services**
      Wendy Gullion
    - **Division Director of Adult Behavioral Health Services**
      VACANT
    - **Director of Nursing and Developmental Case Management Services**
      Kim Taylor
    - **Division Director of Youth and Family Services**
      KJ Holbrook
    - **Regional Substance Use Disorders Coordinator**
      Scott Bush
    - **Regional Project Manager**
      Franki Fuller
    - **Director of Prevention and Wellness**
      Samantha Crockett

FINANCIAL SECTION

The Financial Section contains the Basic Financial Statements.

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mount Rogers Community Services
Wytheville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Mount Rogers Community Services (the "Board"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

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Auditor’s Responsibility (Continued)

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 Board as of June 30, 2020, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Board’s 2019 financial statements, on which, in our report dated November 21, 2019, we expressed an unmodified opinion. The 2019 financial information is provided for comparative purposes only.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board’s basic financial statements. The introductory section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 13, 2020

As management of the Mount Rogers Community Services (Agency), we offer readers of the financial statements this Management's Discussion and Analysis (MD&A)—a narrative overview and analysis of the Agency's financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements.

Following this MD&A are the basic financial statements of the Agency, together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, certain required supplementary information concerning the Agency's progress in funding its obligation to provide pension benefits to its employees, supplementary combining financial statements, and certain required supplementary information regarding the schedule of expenditures of federal awards is also included.

Mission Statement and Organization

Mount Rogers Community Services is dedicated to improving the quality of life for people with mental, physical and substance use intervention needs. The Agency is committed to respecting people's rights to live in their home communities by promoting hope for the future and providing services and supports that promote self-determination, empowerment, recovery, resilience, health, and the highest possible level of individual participation in all aspects of community life, including work, school, family and other meaningful relationships. The Agency provides services to the residents of Bland, Carroll, Grayson, Smyth and Wythe counties and the City of Galax. The Agency has approximately thirty-three (33) service sites and maintains a service presence in approximately thirty-eight (38) schools throughout the catchment area.

Overview of Financial Statements

The basic financial statements of the Mount Rogers Community Services are presented in a proprietary fund format in accordance with the principles of an enterprise fund. Enterprise funds may be used to report an activity for which a fee is charged to external users for goods and services. The Agency is encouraged by the State Department of Behavioral Health and Developmental Services (DBHDS) to maximize efforts to recover the costs of services rendered, through fees from individuals served, legally liable parties, and third-party coverage such as Medicaid, Medicare and private insurance. Medicaid is the largest fee generator.

The Agency's financial statements are reported on the full accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). Mount Rogers Community Services provides behavioral health care services in the areas of mental health, intellectual disabilities and substance use intervention, placing the Agency in the health care arena. The Agency is a local government agency established under Chapter 5 of Title 37.2 of the Code of Virginia; therefore, in accordance with the GASB, activities are reported under reporting standards based upon the GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*

The Agency is funded partially by federal, state and local funds. Pursuant to recommendations by DBHDS, local, state and federal allocations (considered "subsidies" as defined by GASB and DBHDS) are presented as non-operating revenues in the financial statements.

Basic Financial Statements

The basic financial statements report information about the Agency using the accrual basis of accounting similar to those used by private-sector companies. All of the current year's revenues and expenditures are recorded in the fiscal year in which the related activities occur, regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position, which are included in the basic financial statements, report information about the Agency and its activities in a way that helps the reader understand how the Agency as a whole has performed during the year.

The Statement of Net Position displays the Agency's assets, deferred outflows of resources, liabilities, deferred inflows of resources and the cumulative changes in them (referred to as net position). A positive net position is one indicator that the Agency's operations over the years have resulted in positive financial performance. The Statement of Net Position serves the additional purpose of reflecting the balances left at year-end that are available for spending and any restrictions that apply to those balances. Other non-financial factors will need to be considered, such as changing individual needs and competition for services to assess the overall financial health of the Agency.

The Statement of Revenues, Expenses and Changes in Fund Net Position presents the operating results of the Agency for the fiscal year ended June 30, 2020, with comparative operating performance for the fiscal year ended June 30, 2019. This statement shows how the Agency performed in the given fiscal years (July 1 to June 30), giving the reader a general breakdown of operations by the main sources of income and the main spending categories. 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. Changes in net position (increases and decreases) represent one metric by which to measure the financial health of the Agency and identify whether its financial position is improving or deteriorating.

A third statement, the Statement of Cash Flows, identifies how cash and other financial assets (that can readily be converted to cash) flow in and out of the Agency. The Statement of Cash Flows, when taken together with the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, provide the reader a complete snapshot of the financial condition of the Agency as of June 30, 2020, with a comparison to June 30, 2019.

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Agency's progress in funding its obligations. These obligations include providing pension benefits and other post-retirement benefits to its employees, supplementary combining financial statements, and certain required supplementary information regarding the schedule of expenditures of federal awards.

Component Units

GASB Statement No. 14 states the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is the primary benchmark for inclusion in a governmental financial reporting entity. An entity is considered fiscally dependent if it cannot (a) determine and modify its budget; (b) establish its rates, tax levies or charges; and (c) issue bonded debt, without the approval or modification of another government. The Agency has determined two entities meet the requirements for inclusion in the Mount Rogers Community Services' financial statements.

The first component unit included as part of these financial statements is Mount Rogers Community Services, Inc., a non-profit corporation established in the late 1970's as a financing requirement with the Virginia Housing Development Authority. The debt has been satisfied but the corporation continues to contract with the U.S. Department of Housing and Urban Development (HUD) for Section 8 housing. The corporation also acts as a conduit for fundraising by using its 501(c)(3) status from the Internal Revenue Service to solicit donations that will be tax-deductible for the donor. A separate financial statement is prepared for this component unit.

The other component unit included in the financial statements is the Employee Benefit Trust. The Trust was established in 1990 when the Agency began to self-insure for employee medical coverage. The Trust expanded its use to include operation of the Agency's Humanitarian Fund, wellness activities, and various other employee benefits such as an expanded sick leave benefit. During FY 2016, the Agency transitioned from a self-insured health insurance program to the Commonwealth of Virginia's The Local Choice (TLC). Members of the TLC program share significant purchasing power which reduces administrative costs, and shared claims experience offers financial protection.

Fiscal Agent Activities

The Agency acts a fiscal agent for the Southwestern Virginia Board (SWVAB) and HPR III Training Consortium. As fiscal agent, the Agency acts on behalf of these entities to perform various financial duties. These activities are segregated and reported in a separate column in the combining statements so that the reader can easily identify the fiscal agent activities.

The SWVAB receives funding from the State and Federal Governments to administer programs for the Region. The SWVAB received $578,088 in State Mental Health Acute Care Funds, $100,000 in Mental Health Recovery Funds and $3,820,282 in Mental Health Regional Discharge Assistance Program funds. In addition, the SWVAB received $75,000 in Federal Mental Health Block Grant Funds.

The HPR III Training Consortium is an organization which provides high quality training for the Health Planning Region III. It strives to meet the needs of behavioral health and intellectual disabilities staff serving in both public and private industries. It is the primary resource for professionals needing credits for LCSW and LPC licensure, as well as Substance Abuse Certification. In the current year, the Training Consortium discontinued operations and dissolved the organization. The remaining funds of $7,605 were distributed evenly between the region's five Community Services Boards.

COVID-19

In March 2020, the World Health Organization characterized a strain of coronavirus, known as COVID-19, as a pandemic. Concerns related to the spread of COVID-19 and the related containment measures intended to mitigate the spread created substantial changes to business operations for the economy. The State of Virginia directed all residents to shelter in place. The state deemed some jobs "essential" and staff was required to report to work during economy shutdown to maintain continuity of operations for the protection of the health and well-being of all Virginians. Mount Rogers Community Services was deemed an essential worker as part of the Health Care and Public Health Sector. The leadership of the Agency worked quickly to develop plans and strategies to work in this new environment.

One of the main priorities of the Agency has been the health and safety of employees and the actions have been driven by local health mandates and guidelines. Many administrative staff and some program staff began to work remotely from home. Operations of programs unable to maintain social distancing and unable to deliver services via telehealth were suspended, such as day support. Operations of programs unable to maintain social distancing but able to deliver services via telehealth were reduced significantly, but not suspended. Services in that category included Psychosocial Rehabilitation, Mental Health Skill Building and Day Treatment Services. Many programs continued to be open and provide services on a regular basis. To ensure employees had proper supplies to ensure safety, the Agency made a large investment in personal protective equipment and cleaning supplies. Employees were required to follow social distancing and hand sanitizing protocols. The Agency invested in telehealth software and equipment to be able to provide services to individuals who were unable to come to our facilities.

During this time, Medicaid, Medicare and commercial insurance providers reduced their billing requirements. States expanded the use of telehealth by waiving or reducing telehealth copayments, paying some telehealth services at the same rate as face-to-face visits, and giving providers more flexibility to provide telehealth services. By allowing providers this option, the Agency was able to ensure individuals received continuity of services, which was much needed due to the pandemic.

Financial Analysis

As noted earlier, net position may serve as a useful indicator of the Agency's financial position. At the close of the current fiscal year, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by $26,102,711. This amount of net position is a good indicator that the Agency's financial position is stable. The Agency's overall net position increased $5,825,434 from the prior fiscal year. This increase represents the amount of net revenue over net expenses, otherwise called the change in net position.

A large portion of the Agency's net position (56.5%) reflects its investment in capital assets, which includes land, buildings, machinery, equipment, and vehicles, less any related outstanding debt that was used to acquire those assets and net of related accumulated depreciation. The Agency uses these capital assets primarily to provide services to its participating localities; consequently these assets are not available for future spending. Although the Agency's investment in capital assets is reported net of related debt, the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Agency's net position (0.5%) or $121,984 represents resources that are subject to external restrictions as to how they may be used. The remaining balance of $11,225,602 is unrestricted and may be used to meet the Agency's ongoing obligations to its citizens and creditors.

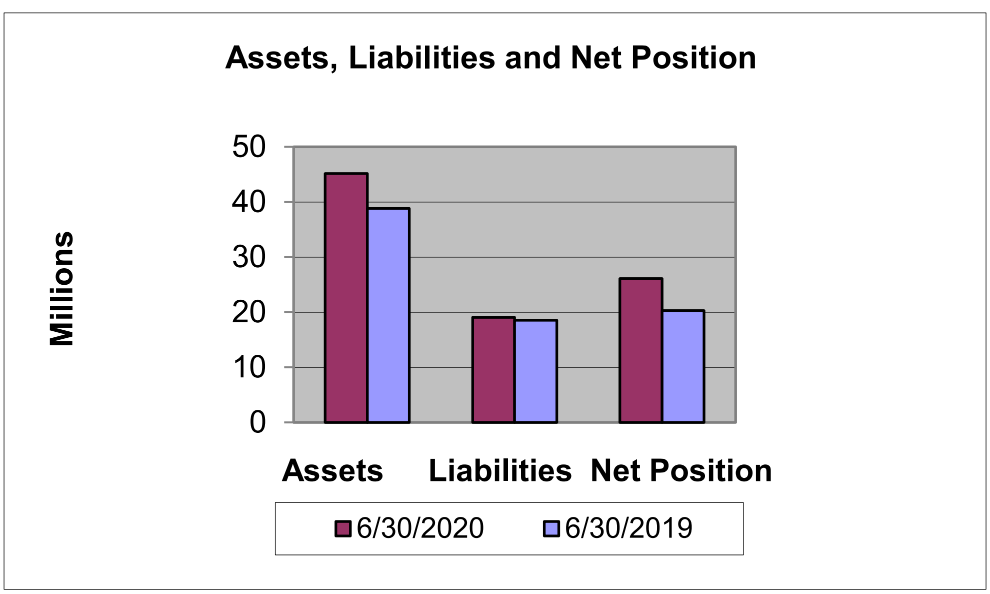
At the end of the current fiscal year, the Agency as a whole is able to report positive balances in all reported categories of net position. The same situation held true for the prior fiscal year.

The following table reflects the condensed Statements of Net Position:

Summary of Statements of Net Position

	June 30, 2020	June 30, 2019
Current and other assets	$ 22,889,431	$ 17,887,819
Capital assets	18,634,131	18,995,578
Total deferred outflows of resources	3,641,121	1,937,543
Total assets and deferred outflows	$ 45,164,683	$ 38,820,940
Current liabilities	$ 3,693,320	$ 4,037,886
Long-term liabilities	13,261,842	11,889,595
Deferred inflows of resources	2,106,810	2,616,182
Total liabilities and deferred inflows	$ 19,061,972	$ 18,543,663
Net Position:		
Net investment in capital assets	$ 14,755,125	$ 14,489,885
Restricted	121,984	125,164
Unrestricted	11,225,602	5,662,228
Total net position	$ 26,102,711	$ 20,277,277
Total liabilities, deferred inflows of Resources and net position	$ 45,164,683	$ 38,820,940

As noted earlier, the increase in overall net position is the result of the net income generated in the current year.



Cash and cash equivalents make up 72% of the current assets on the statement of net assets. The value of unrestricted cash and cash equivalents increased 38% or $4,509,473 over the prior fiscal year's amount. The increase in cash is a directly related to the positive change in net position for the FY 2020. In response to COVID-19, the Department of Behavioral Health and Developmental Services began to require weekly reports from all Community Services Boards (CSBs) to monitor for indications of problems. If cash reserves dropped below eight weeks, the Department would require additional action to help increase cash. Accordingly, management began to monitor the weekly productivity of staff. When weekly productivity reporting indicated a decline in the volume of visits by individuals, staff was placed on rolling and extended furloughs. This action was necessary to compensate for reduced visit volume, as this decrease would reduce revenue and, ultimately, reduce cash. The furloughs helped with maintaining cash at a stable level. Capital projects were either postponed or down sized to reduce cash spending. Budgets were monitored closely to ensure billing was maintained. Because of the relaxed regulations of third-party billers, cash collections from billing remained stable. As a result of all of these combined measures, during the last six months of the fiscal year, cash reserves steadily increased despite the pandemic.

Accounts receivable for the Agency is comprised of two categories: third party receivables for services billed and contract receivables from Industrial Developmental Center (IDC) sales.

Third party receivables for billed services are due from individuals served, Medicare, Medicaid, insurance companies, and other governmental agencies. The amount owed to the Agency in connection with service receivables at the end of the current fiscal year is $4,799,734 compared to the prior year's amount of $3,693,906. The allowance for doubtful accounts increased from $1,136,797 at the end of FY 2019 to $1,320,802 in FY 2020. Therefore, the net service receivables increased by $921,823 or 36%. The majority of this increase arose from an increase in the volume of claims billed in June of 2020, which increased $571,277 from $2,617,595 in FY 2019 to $3,188,873 in FY 2020.

The contract sales receivable balance reflected a decrease of $514,273, from $1,297,000 at the end of FY 2019 to $782,727 in FY 2020. The allowance for doubtful accounts was $23,404 in FY 2019 compared to $87,367 in FY 2020. The allowance for doubtful accounts remains low for contract sales receivables because the Industrial Developmental Centers (IDCs) are very diligent in their collection process to ensure amounts are collected.

The receivable balance decreased at the end of FY 2020 partly related to COVID-19. Reductions in workforce resulted in reduced production, reduced sales and reduced receivable balances at the end of the year. IDC production volume decreased because individuals' concerned about the virus chose to "shelter in place" and, addition, in order to maintain social distance, the IDC moved workstations to ensure a six-foot space between workers.

Agency inventories relate to IDC programs and technology inventory. Inventories related to the IDC programs involve contracts with government and corporate customers, which provide opportunities for the individuals the Agency serves to have employment. The IDC purchases raw materials in anticipation of these contracts. The Agency had some of these materials on hand at the end of both FY 2019 and FY 2020, reflected as inventory on the balance sheet. This inventory varies relative to the customer orders that the IDC has at any given time. Inventory decreased by $174,564, from $1,180,194 at the end of FY 2019 to $1,005,630 in FY 2020.

Technology inventory consists of items kept on hand to distribute to new or existing staff to complete their job tasks. Inventory items include computers, printers, cables, keyboards and various other items. Technology inventory increased $2,029 over the prior year, from $15,127 in FY 2019 to $17,156 in FY 2020.

Prepaid and other receivables combined increased by $277,623 from last fiscal year. There were three main factors for the change in this account:

- The Agency purchased an upgrade to their current timekeeping and payroll system, moving from Kronos Workforce Central to Kronos Workforce Ready. While this software will not be implemented until January 1, 2021, the software had to be purchased before the implementation process started. An amount of $88,347 is reflected in the prepaid expense account.

- During Fiscal Year 2020, the Agency began an upgrade to their network system. Due to aging equipment, the Agency purchased the entire amount needed to replace the network at a cost of $138,785. At June 30, 2020, equipment valued at $48,209 had been installed. The uninstalled equipment, valued at $90,576 is reflected as a prepaid expense.

- During Fiscal Year 2020, the Agency was awarded federal grants directly from SAMHSA (Substance Abuse and Mental Health Services Administration). The Agency is required to request funds on a reimbursement basis. The Certified Community Behavioral Health Clinic (CCBHC) and Comprehensive Opioid Abuse Program (COAP) grant are two grants which had reimbursable amounts in FY 2020 but not in FY 2019. At the end of June 30, 2020, the Agency was due reimbursement on the CCBHC grant of $25,956 and from the COAP grant of $127,557.

During the FY 2016 year, the Agency sold a piece of equipment to a previous IDC customer. The Agency agreed to finance this sale of equipment. The total sales price of the equipment was $45,000, and the note taken was dated January 13, 2016. The terms are as follows: a payment of $5,000 to be made by January 22, 2016, with the remaining balance paid in quarterly installments of $2,500 beginning April 1, 2016, with the final payment to be made January 1, 2020. The note is an interest free note and is secured by the equipment. The balance of this note receivable was $5,000 at the end of June 30, 2019 and was paid off in FY 2020.

The Agency separates current assets that are restricted from those that are not. Restricted cash and cash equivalents and deposits and funded reserves relate to some of the Agency's outstanding debt. Restricted cash in the amount of $60,588 is required by a note with Rural Development, which stipulates one years' worth of principal and interest payments be set aside and restricted. Signature Public Funding Corporation (SPFC) requires a principal payment in February of each year and interest payments twice a year in February and August. An amount of $64,576 was set aside as of June 30, 2019 and an amount of $61,396 was set aside as of June 30, 2020 to meet the interest payment required in August.

The restricted assets held in trust of $157,825 have an off-setting liability account, liability for funds held in trust. These funds are those for which the Agency has a fiduciary responsibility to individuals for whom we serve as payee agent. The Agency serves a total of approximately 90 individuals in this capacity.

Accounts payable decreased by $314,574 or 20% from $1,573,799 in FY 2019 to $1,259,225 in FY 2020. Accounts payable represents the Agency's obligation to pay off a debt to its vendors for purchases of goods or services on credit. This account varies depending on the timing of the payments to vendors, but is considered a short-term debt. Items that affected the accounts payable balance at the end of FY 2019 included balances owed for construction services of $133,630 for the Lisa H. Moore clinic construction project that was still underway at the end of FY 2019. This project was completed in FY 2020 and all balances owed were paid. Construction was just beginning on the Wythe Crisis Clinic at the end of FY 2019 and balances were owed on construction costs of $103,605. The Wythe Crisis Clinic construction project was still underway at the end of FY 2020; however, accounts payable for the project had decreased significantly to $5,563. At the end of FY 2020, the Agency owed $62,298 on their credit card as compared to $95,752 at the end of FY 2019. The Agency has a purchasing card program to assist staff with a method to purchase small products and supplies within our existing purchasing system. The last item having an effect on the change in accounts payable was supplies the IDC purchases from suppliers to use in the manufacturing process. The accounts payable for IDC supplies decreased from $472,631 at the end of FY 2019 to $270,160 at the end of FY 2020.

Compensated absences in FY 2020 were $1,853,822, which is a $254,954 or 12% decrease from the FY 2019 balance of $2,108,776. This decrease was caused in part by a small number of long term employees with large leave balances retiring from the Agency. Another contributing factor to the decrease was COVID-19 pandemic related, as employees on extended furlough were permitted to use their sick time to pay for their health insurance.

Unearned revenues increased $408,670, or 25.5% from last year. Unearned revenues represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met—e.g., for restricted funds received in advance where expenditures are made at a later date. The majority of unearned revenue is monies received from state and federal agencies for restricted purposes, which have not yet been spent. Late in March and April of 2020, the Agency received a total of $495,740 of one-time federal monies that was required to be spent by September 30, 2020. Of this special funding in March and April a total of $401,783 was unspent at June 30, 2020. This accounts for the increase in unearned revenues. Amounts in other programs vary from year to year as well as the types of programs.

The following table reflects the amounts and programs in restricted grant funds:

Program	2020	2019
Family Initiative Funds	$121,983	$ 135,981
Local Inpatient Purchase of Service (LIPOS)	524,408	267,468
Discharge Assistance Program (DAP)	156,613	53,164
Regional Alternative Transportation	4,796	7,000
HPRIII Funds	-	11,550
Early Impact Virginia Funds	2,530	2,530
Regional Liaison	119,175	84,555
Regional Transportation	49,550	-
SA Prevention Funds	62,503	65,000
DBHDS Craft Training Funds	67,655	150,000
State Opioid Response Funding	395,466	415,699
Jail Diversion	188,860	82,230
Project Link	-	10,642
Step VA Funding	-	9,183
SPQM	17,451	47,157
CIT Grant	38,040	-
CIT Training Grant	23,464	45,976
Other Regional Programs	-	5,607
OPT-R Treatment and Recovery	-	180,994
SMI Mental Health Block Grant	71,348	-
Permanent Supportive Housing	155,755	15,204
Total	$ 1,999,597	$1,589,940

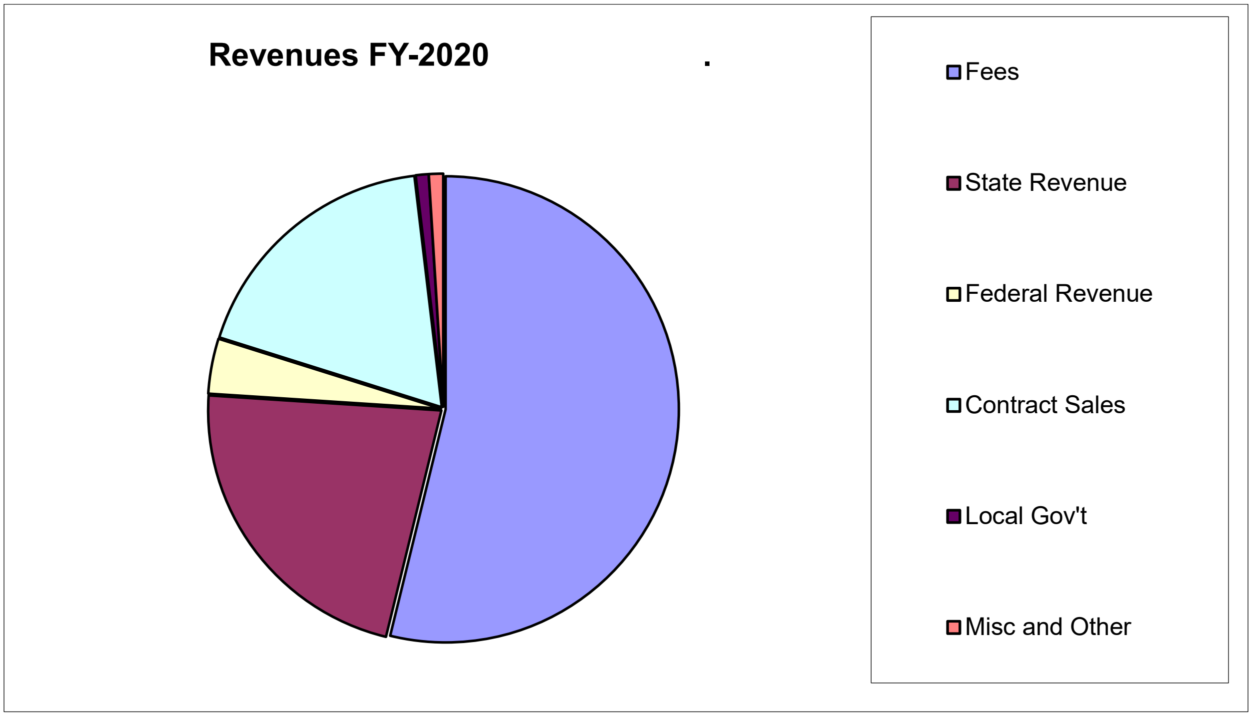
Other items included in deferred revenue monies are for the Wounded Warrior program and prepaid insurance and client fees for services received.

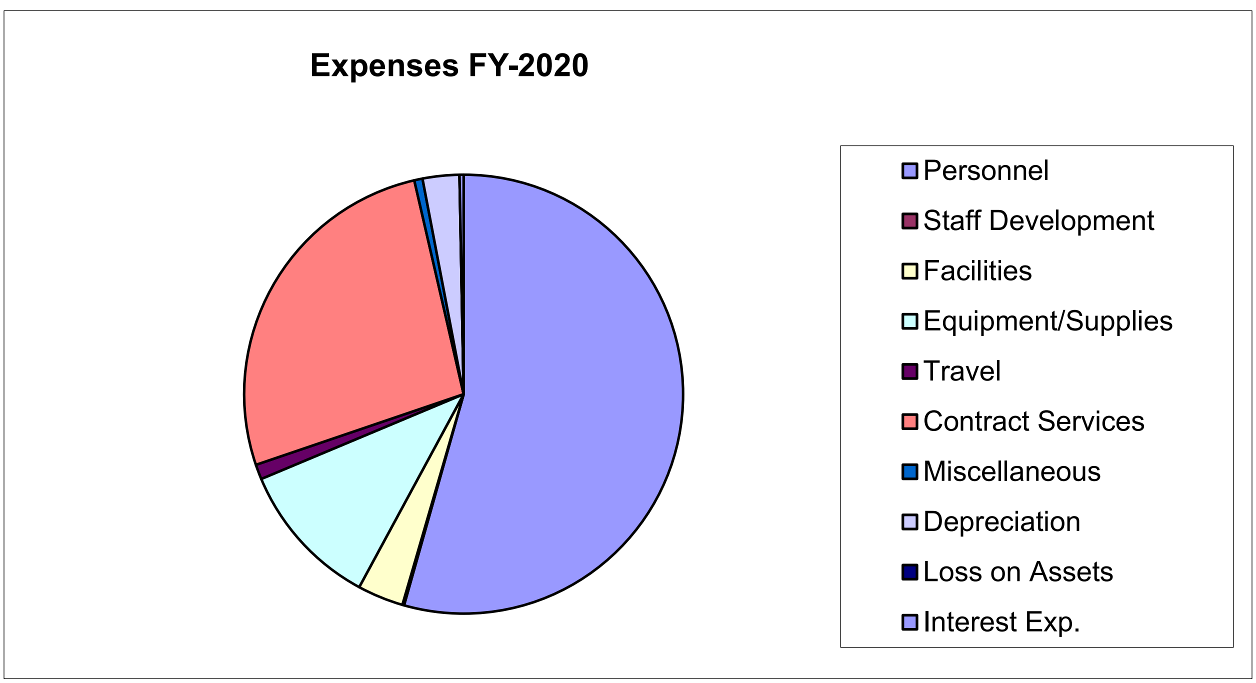
The Agency's net position at the end of FY 2020 shows a balance of $26,102,711, an increase of $5,825,434 over last year's balance of $20,277,277. This is about a 28.7% increase from last year. This increase was directly related to the positive change in net position of $5,825,434 which is reflected on the Statement of Revenues, Expenses and Changes in Fund Net Position.

The following table reflects the condensed revenues and expenses of the Agency for FY 2020 and FY 2019:

Summary of Statements of Revenues, Expenses and Changes in Fund Net Position

	Year Ended June 30, 2020	Year Ended June 30, 2019	Increase (Decrease)
Revenues:			
Operating Revenues:			
Fees	$ 35,035,235	$ 35,382,709	(0.98)%
Contract Sales	11,896,604	9,864,395	20.60%
Contributions/Other Local	93,361	35,646	161.91%
Miscellaneous	377,525	557,508	(32.28)%
Housing Payments	12,520	10,516	19.05%
Non-operating Revenue:			
State Funding	14,455,304	12,770,705	13.19%
Federal Funding	2,487,352	1,624,875	53.07%
Local Governments	577,937	550,340	5.01%
Interest Income	118,837	149,148	(20.32)%
Gain on Disposal of Assets	41,612	(129,611)	132.11%
Total Revenues	$ 65,096,287	$ 60,816,231	7.04%
Expenses:			
Operating Expenses:			
Personnel	32,230,836	31,445,529	2.50%
Staff Development	74,573	165,414	(54.92)%
Facilities	2,009,055	1,937,421	3.70%
Equipment/Supplies	6,395,327	5,387,273	18.71%
Travel	649,744	845,726	(23.17)%
Contract Services	15,769,998	16,149,549	(2.35)%
Miscellaneous	360,475	435,571	(17.24)%
Depreciation	1,601,861	1,318,036	21.53%
Non-operating Expenses:			
Interest Expense	178,984	239,081	(25.14)%
Total Expenses	$ 59,270,853	$ 57,923,600	2.33%
Change in Net Position	$ 5,825,434	$ 2,892,631	101.39%


Revenues FY-2020
Fees
State Revenue
Federal Revenue
Contract Sales
Local Gov't
Misc and Other


Expenses FY-2020
Personnel
Staff Development
Facilities
Equipment/Supplies
Travel
Contract Services
Miscellaneous
Depreciation
Loss on Assets
Interest Exp.

FY 2020 reflects a slight reduction in third party fees as compared to FY 2019. The sources of fee revenues include fees for services to individuals, whether direct billing to individuals receiving services, Medicaid, Medicare or other private and governmental insurance companies. Fees also include revenues for services provided to other local agencies on a contractual basis. Fee revenues reflect a decrease of 0.9%, or $374,474 compared to FY 2019. With the onset of COVID-19, the Agency was concerned third party fees would be reduced greatly, but with the foresight and planning by leadership, changes were made that produced positive results. The Agency moved to provide services by telehealth. The relaxed regulations of Medicare, Medicaid and commercial insurance companies allowed the Agency to collect the same amount for a service by telehealth that was collected by a face to face service. The Agency made change in programs that reduced revenues, such as suspending day support and transportation services and significantly reducing the mental health supports, psychosocial rehabilitation, and therapeutic day support services. Even with the reductions in these programs, the overall revenue of the Agency held steady. The Agency produced additional revenues in our mental health and substance use outpatient clinics, PACT services and emergency management services. In the COVID-19 pandemic more people have and are expected to need the services Mount Rogers provides, because individuals may experience more stress, anxiety, fear, sadness, loneliness, and mental health disorders such as depression.

In FY 2020, contract sales revenues increased by $2,124,851, or 21.6%, as compared to FY 2019. The IDCs hold government and corporate contracts, of which the largest contractor is the United States Department of Defense (DOD). Changes to DOD contracts account for the largest portion of the fluctuation in sales volume. The increase in sales largely reflected:

- Contracts for the Advanced Combat Shirt (ACS), which were steady throughout the year and monthly production requirements, as specified by the contract, were met.
- A large order for Enhanced Combat Helmet Covers, in addition to the OCP Helmet Covers that are currently being produced.
- Continued production of the U.S. Forestry Service Field Pack
- New commercial contracts for Puppy Bumpers and LabTech

In addition, staff of the IDCs remains in contact with SourceAmerica to maintain an awareness of current and future federal government projects.

Contributions and other local funding grew from $35,646 in FY 2019 to $93,361 in FY 2020, an increase of $57,715. Out of the $93,361 received in FY 2020, it can be attributed to two major contributions. The Agency received a $25,000 contribution from the real estate owner of the building where the Smyth Crisis Care Center is housed. This contribution was to help with remodeling costs made to the building. The other main contribution was from the Marietta Morgan Trust for $40,000. This contribution applied for and awarded was to purchase supplies for the newly created integrated care program. Providing integrated care helps individuals served as well as the Agency. It blends the expertise of mental health, substance use, and primary care clinicians with feedback from patients and their caregivers. This creates a team-based approach where mental health care and general medical care are offered in the same setting.

Housing assistance payments reflected on the financial statements were in connection with a Housing Assistance Payments Contract the Agency has with the United States Department of Housing and Urban Development (HUD). This contract provides assistance to Section 8 tenant-based housing by offering subsidies to the project. The subsidies help qualified individuals gap the difference between the rental amount charged by the renter and the contribution that the individual can afford.

Miscellaneous income decreased by $179,983, or 32.3%, from $557,508 in FY 2019 to $377,525 in FY 2020. This decrease was primarily caused by two major factors:

- In the prior year, the Agency received funds from Medicaid for doctor incentives payments titled Meaningful Use. In FY 2019, $76,500 in Meaningful Use payments was received. The program expired and was not available in FY 2020.

- During FY 2019, DBHDS, in an effort to help Community Services Agencies with the challenges of service delivery and payments for services created by health reforms, partnered with MTM Services to provide the SPQM Services Suite. SPQM, or Service Process Quality Management, is a powerful analytical tool that arms decision makers with the essential information to strategize for the future, to effectively manage operations, to develop continual improvement strategies, and to demonstrate outcomes. SPQM reports offer a view of how clinics and programs are performing and allow instant drilldown capability for troubleshooting, problem-solving and operational analysis. DBHDS agreed to fund two years' worth of cost for the SPQM software, so Community Services Agencies could decide if it was useful. The two-year cost of $59,400 was paid up front from DBHDS in FY 2019. No amounts were realized for FY 2020.

Regarding state revenue, the Agency continues to act as fiscal agent for the Southwest Virginia Behavioral Health Agency for Planning Partnership Region 3 (PPR 3), for the purchase of inpatient psychiatric bed days (Local Inpatient Purchase of Services—LIPOS), and for the Discharge Assistance Program (DAP). Also, for the HPR 3 region the Agency serves as the fiscal agent for a regional Community Crisis and Psychiatric Services grant. This grant helps to address the gap in psychiatric availability for youth by funding crisis intervention and stabilization services for youth. Such services include contracted tele-psychiatry services, as well as center-based and ambulatory crisis stabilization programs.

State revenue increased by $1,684,599, or 13.2%, in the current fiscal year from $12,770,705 in FY 2019 to $14,455,304 in FY 2020. Differences in state revenue are attributable to new funding in FY 2020 and to the timing of when the Agency fulfills its obligation and revenue is recorded on the books. New funding received but unspent at the end of the fiscal year will be shown as unearned revenue in the liability section of the balance sheet.

During the current fiscal year, the Agency received several new sources of money for new services or to expand existing services. The following is an explanation of these funds:

- The Agency manages regional funds for the Southwest Virginia Agency as stated above. Revenues are realized at the time the expenditure is spent or encumbered. The Agency does not have any control over the purchase of services. During the current year, the region realized an amount of $4,230,028 of state funds compared to $3,839,390 in FY 2019.

- In FY 2020, the Agency received funding to address Virginia's opioid crisis and substance use disorder (SUD) challenges. DBHDS is working to reform Virginia's system into one that meets the needs of Virginians with behavioral health disorders and substance use disorders. The Agency recognized $1,033,144 of state fund revenues.

- The Agency recognized an additional $340,103 in permanent supportive housing funds in the current year over the prior year. Permanent supportive housing is an intervention that combines affordable housing assistance with voluntary support services to address the needs of chronically homeless people. These funds help individuals lead more stable lives with a goal to end homelessness.

- In connection with the continued implementation of STEP-VA, Mount Rogers Community Services received $174,882 in FY 2019 as compared to $365,760 in FY 2020 to implement primary care screenings and monitoring. Primary care screenings and monitoring are a critical element of STEP-VA because individuals with serious mental illnesses are known to be at higher risk for poor physical health outcomes largely due to unidentified chronic conditions.

Federal revenue increased by $862,447, or 6.7% over the last year, from $1,624,875 in FY 2019 to $2,487,352 in FY 2020. The majority of the increase in federal funds is due to the realized revenue from three specific funding projects for the current year. Cash amounts received during the year for specific funds may not match the amount of realized revenue because a portion of these funds were unearned at the end of the fiscal year and are reflected as a liability on the balance sheet.

The increase in federal funds is comprised of the following three grants:

- The Agency realized revenue of $71,348 in Mental Health Block grant funds to provide SMI funding opportunities. These funds are used to support supplemental treatment and recovery for uninsured individuals with Serious Mental Illness (SMI), including the geriatric population. Funds would be used to support SMI services such as psychosocial rehabilitation, mental health skill building, crisis stabilization, outpatient counseling, intensive outpatient treatment and peer supports for those without insurance or Medicaid.

- The Agency realized revenue of $774,396 in the current year in VA State Opioid Response (SOR) funds for recovery and treatment purposes. The SOR grant is a federally funded formula grant distributed by the Substance Abuse and Mental Health Services Administration (SAMHSA). These funds were provided to implement a comprehensive array of prevention programs aimed at reducing prescription drug misuse and overdose deaths.

- The Agency realized $125,192 in Young Substance Abuse and Treatment (YSAT) grant funds. This program provides evidence-based treatment for adolescents and young adults with substance use disorders. The program utilizes the Adolescent Community Reinforcement Approach (ACRA) and is comprised of an average of 14 sessions. Participants are introduced to various skills necessary to understand problematic substance using behaviors and how to replace those behaviors with more positive and healthier choices in order to live a drug-free life.

Local funds increased by $27,597 or 5% over the last year, from $550,340 in FY 2019 to $577,937 in FY 2020. The Code of Virginia authorizes DBHDS to provide funds to assist in establishing, maintaining, and promoting the development of mental health, intellectual disabilities and substance use services. The code also establishes criteria for allocation of funds to community services agencies and limits these allocations to no more than 90% of the total amount of state and local matching funds provided for operating expenses unless a waiver is granted by the Department. The minimum local matching funds requirement is 10%. This 10% match is requested from the Board of Supervisors of the counties of Smyth, Wythe, Bland, Carroll, and Grayson and from the City of Galax town council.

Personnel expenses reflect an increase of $785,307 or 2.5% in FY 2020 as compared to FY 2019. During the year, the safety measures required to mitigate COVID-19 effects necessitated the downsizing of some programs that could not maintain social distancing measures by the nature of their service types. These included Therapeutic Day Treatment, Mental Health Skill Building, Psychosocial Rehabilitation, and Transportation. The decrease in personnel expense in these programs was offset by increased personnel expenses from new programs or full year costs of programs partially launched in FY 2019. These programs included Coulson Fields group home, Project LINK, SUD STEP VA, Drug Court, and CCBHC.

Staff development expenses decreased from the prior year by $90,841 or 55%. Staff development involves training expenses associated with the Agency's employees, dues and memberships of the Agency and employees and subscriptions of the Agency. The decrease in staff development expense was largely due to the COVID-19 pandemic's curtailing effect on training activities beginning in mid-March. Many trainings scheduled in the fourth quarter were postponed or were permanently cancelled.

Facilities expenses increased by $71,634, or 3.7%, from $1,937,421 in FY 2019 to $2,009,055 in FY 2020. Facility expenses are comprised of the following: rent, utilities, telephone, facility maintenance, and facility insurance. Rental expense was one of the items that increased in FY

2020. This increase originated in the Permanent Supported Housing Program (PSH). The PSH program combines low affordable housing, health care, and supportive services to help individuals to lead more stable lives. Facility costs include the rental assistance paid by the Agency to help individual's rent be more affordable. State revenue is received by the Agency to cover the cost of this expense. This program continued to expand for the third year in a row in FY 2020 and associated rental costs increased $58,114 over FY 2019. The majority of the remaining increase in facilities expense was due to the expansion of current programs and/or locations, resulting in a direct increase in facility maintenance costs.

Equipment and supplies expense increased by $1,008,054, or 18.71%, from $5,387,273 in FY 2019 to $6,395,327 in FY 2020. Items in this category are small equipment, maintenance and service contracts, office supplies, facility supplies, educational and recreation supplies, food expense, medical supplies and contract supplies. The majority of the FY 2020 increase is attributable to contract supplies, which is the cost of items used in the manufacturing process at the IDCs. This line item increased by $1,082,260 due to increased production for governmental contracts. This increase was partially offset by decreased expenses in other line items in this expense category, most notably medical supplies. Medical supplies expense decreased by 49%, from $328,175 in FY 2019 to $16,312 in FY 2020. This decrease was directly related to eligible medical supplies purchases being submitted for COVID-19 CARES Act reimbursement.

Travel expenses decreased this year by $195,982, or 23.17%, from $845,726 in FY 2019 to $649,744 in FY 2020. Travel expense includes items such as private mileage paid to employees, operating expenses for the Agency's fleet, automobile insurance and employee food and lodging. As a direct result of the COVID-19 pandemic and safety protocols, travel was halted or restricted beginning in mid-March. Accordingly, private mileage decreased 41% this year by $118,007 from the prior year. Private mileage is paid to employees for use of a personal vehicle on business. The Agency authorizes payment at a rate of $.50 per mile to help offset vehicle operating expenses, including gasoline, automobile liability insurance and repairs. A similar pandemic related decrease in all other travel line items also occurred. Automobile insurance was the only travel expense line item which saw an increase. The Agency's expense to insure its modernized fleet increased 15.86% or $12,486 from FY 2019.

Contract services were relatively flat, seeing a small decrease in expenses of 2.35% this year or $379,551 over FY 2019. Contract services are comprised of accounting and auditing expenses, data processing costs, legal services, psychiatric and psychological contract expenses and program contractual services. Sponsored Residential services expense decreased 21.56% or $567,377 in FY 2020 versus FY 2019. Contracted services expense also declined significantly by 64.15% or $376,032 in FY 2020 as compared to FY 2019. Both of these decreases are a result of individuals exercising their right of choice to determine their own provider and to choose a provider other than the Agency. These savings were partially offset by the increased spending for contract services in Regional Funds for which the Agency is fiscal agent. These savings were also partially offset by the additional costs the Agency incurred in FY 2020 for insurance premiums. The increased cost of health care is a topic of concern as costs continue to increase every year and affects the Agency and employees alike. The Agency works diligently to keep premiums affordable for employees.

Miscellaneous expense decreased by $75,096, going from $435,571 in FY 2019 to $360,475 in FY 2020. Miscellaneous expense is comprised of staff liability insurance, postage, printing, advertising, client and family support and any other expense that cannot be classified in one of the other expense categories. The largest portion of savings versus prior year was COVID-19 related, as IDC day support services were closed, in person employee recognition events were postponed, and contributions to other regional consortiums were not made, as those entities were also operating reduced programs. The remaining savings were from Client and Family Support, as COVID-19 limited the trips staff made to furnish foodstuffs, temporary shelter, and household needs assistance for clients.

Depreciation expense increased by $283,825, or 21.5%, from $1,318,036 in the prior year to $1,601,861 in the current year. Depreciation is calculated on capital assets. A capital asset is an asset held with the intention of being used for the purpose of producing or providing goods or services in the normal course of business. Depreciation is an accounting method of allocating the cost of a fixed asset over its estimated useful life. The Agency capitalizes and depreciates all capital assets with a value of $5,000 or greater. The Agency uses estimated useful lives for capital assets ranging from three to forty years. Depreciation expense increased in part as a result of the first full year's depreciation expense for significant capital purchases over the past two fiscal years for transportation equipment, real estate and building renovations including the Smyth Crisis Care Center and the Lisa H. Moore Counseling Center. Depreciation expense also increased as a result of network upgrades made during FY 2020. Computer equipment depreciation in FY 20 was $31,033 versus $3,046 in FY 19. Network upgrades included upgraded email security and licensing, network equipment, and access control system

Interest expense decreased in the current year by $30,311 as compared to the prior year. In FY 2020 the interest expense was $118,837, down from the FY 2019 balance of $149,148. The reduction in interest expense was primarily from savings associated with the note First Bank & Trust holds for the Agency. This First Bank & Trust note, financed on a term of 60 months, had interest savings during the current year totaling $26,201. The principal balances of other notes with Signature Public Funding Corporation and Rural Development continue to decline and therefore the interest paid on the notes continues to decline.

The Statement of Cash Flows provides relevant information regarding the Agency's sources of cash receipts and uses of cash disbursements. The purpose of this statement is to demonstrate the Agency's capacity to generate cash flows and its ability to pay routine obligations.

Overall, unrestricted cash increased this year by $4,002,500. The Agency generated $6,021,749 in net cash from its operating and noncapital financing activities aggregated for FY 2020. Receipts from individuals served and IDC customers generated $54,069,361, while receipts from state, federal and local governments were $17,423,277. Cash outflows to employees and for employee benefits totaled $39,772,710, and payments for goods and services totaled $25,698,179.

The net cash used by capital and related financing activities netted $2,138,215. During the current fiscal year, loan reductions included debt payments on long-term debt to Rural Development, First Bank and Trust and the Signature Public Funding Corporation, all totaling $626,687. Capital activities also included purchases of capital assets of $1,240,414. Other items included in capital and financing activities include proceeds from the sale of assets of $41,983, the receipt of principal payments of $5,000 on notes receivable, payments from reserve accounts in excess of contributions to reserve accounts of $3,180. Interest expense paid out this year was $182,492.

Net cash provided by investing activities was $89,988, representing interest income.

Capital Assets

The Agency's capital assets net of accumulated depreciation totaled $18,634,131 on June 30, 2020. This amount represented a net decrease of $361,447 from the previous fiscal year end. Depreciation expense totaled $1,603,808 for the current fiscal year. During this fiscal year, the Agency purchased a total of $4,035,222 in capital assets. These capital expenditures included the remodeling and constructing of facilities for $3,339,655, the purchase of vehicles for $433,192 and purchase of equipment and furniture for $262,375.

During the current year, the Agency had several construction projects in process. In Smyth County, the Agency completed construction of the Lisa H. Moore Counseling Center. The center has approximately 11,996 square feet and houses clinical services along with a contracted pharmacy. The total construction costs incurred in FY 20 were $102,068. The building began operations in July of 2019 and its cost of $2,912,730 was transferred to real estate holdings. Also in Smyth County, the Agency continued renovations on the building that formerly housed Smyth Clinical services, remodeling the facility to house the Smyth Crisis Care Center. The Smyth Crisis Care Center project incurred $162,339 of construction costs in FY 20. The building was completed in late FY 2020 and the construction costs of $173,186 were transferred to real estate holdings. In anticipation of the opening of a Crisis Care Center in Wytheville, the Agency purchased a 4,552 square foot building and began renovations in FY 2019. The building will house emergency services and crisis care and is adjacent to the E.W. Cline property. The Wythe Crisis Care Center project was still ongoing at the end of FY 2020 and costs incurred to date on the project are $723,819.

During Fiscal Year 2020, the Agency also began a major upgrade to their network. Due to aging equipment, it was imperative that the equipment be replaced. The Agency purchased the entire amount needed to replace the network at a cost of $138,785, of which $48,209 had been installed by the end of the year. The remaining piece, $90,576, is reflected in prepaid expenses in the Statement of Net Position.

The following table reflects the comparison of Capital Asset components as of June 30, 2020, and June 30, 2019:

Description	FY 2020	FY 2019
Land	$ 744,011	$ 744,011
Building and Land Improvements	23,371,547	20,031,331
Equipment and Vehicles	6,688,416	6,410,741
Construction in Progress	739,222	3,533,658
Total	$ 31,543,196	$ 30,719,741
Accumulated Depreciation	(12,909,065)	(11,724,163)
Net Property and Equipment	$ 18,634,131	$ 18,995,578

Long-term debt

During the current fiscal year, the Agency continued to retire current debt by making payments based upon the terms of the loan agreement. The Agency had outstanding long-term debt at the end of June 30, 2019 of $4,505,693, which was reduced to $3,879,006 at the end of FY 2020.

Principal payments of $22,243 were paid on the mortgage loan with Rural Development, $172,800 was paid on the secured note with Signature Public Funding Corporation, and $431,644 was paid on the First Bank and Trust Note Payable. Current portion of long-term debt at June 30, 2020 was $275,873.

Budgetary Highlights

The following table reflects the budget to actual comparison for FY 2020:
(Component units are omitted from this table.)

	Initial Budget	Revised Budget	Actual
Revenues:			
Fees	$38,679,039	$38,679,039	$33,927,778
State Funding	12,623,823	13,337,700	15,147,782
Federal Funding	2,903,319	3,010,843	2,348,902
Contract Sales	12,319,193	12,319,193	11,960,566
Local Governments	550,340	550,340	577,937
Contributions/Other local	195,630	195,630	239,729
Miscellaneous	212,533	212,533	293,147
Prior-year Re-grant	1,567,252	1,567,252	1,193,949
Transfer In (Out)	-	(104,153)	47,875
Total Revenues	$ 69,051,129	$ 69,768,377	$ 65,737,665
Adjustments to Convert Cash Basis to GAAP Accrual Basis and Component Units			(753,562)
Total GAAP Revenue per the Statement of Revenues, Expenses and Changes in Net Position			$ 64,984,103
Expenses:			
Personnel	$45,248,394	$45,401,289	$ 39,934,893
Staff Development	126,998	126,998	64,444
Facilities	3,037,290	3,037,290	3,435,383
Equipment/Supplies	7,327,606	7,327,606	6,744,254
Travel	798,606	798,606	668,531
Contract Services	12,167,728	12,732,081	9,034,729
Miscellaneous	341,193	341,193	357,739
Total Expenses	$ 69,047,815	$ 69,765,063	$60,239,973
Adjustments to Convert Cash Basis to GAAP Accrual Basis and Component Units			(783,438)
Total GAAP Expenses per the Statement of Revenues, Expenses and Changes in Net Position			$ 59,456,535

The Agency does not budget for non-operating expenses, such as depreciation expense, nor does the Agency budget for interest income and interest expense. The budget is prepared on the modified cash basis of accounting.

Economic Outlook

FY 2020 reflects a strong financial performance by the Agency. The Agency's change in net position reflects an amount of $5.8 million, an increase of $2 million over the FY 2019 change in net position of $3.8 million. This is the sixth consecutive year the Agency has reflected a positive change in net position. Even with the stronger financial performance in FY 2020, the Agency will continue to be diligent in looking ahead to FY 2021.

As discussed before, the COVID-19 pandemic has had a significant impact on our operations. It has changed the way people live and work by affecting every aspect of life. Some work activities will go back to the way they were, but there will be changes which will alter the way we think about the work environment and behave in the workplace permanently. The pandemic has opened a new frontier in mental health support. Mobile devices like cell phones, smartphones, computers and tablets are giving the public new ways to access care and for providers to offer help and monitor patient's progress. Software such as Zoom provides a platform for video and audio conferencing.

This technology has great potential for individuals and for the Agency. Advantages of mobile care include:

- Convenience: Treatment can take place anytime and anywhere and is ideal for those who have trouble keeping in-person appointments.
- Anonymity: Individuals can seek treatment options without involving other people.
- Service to more people: The Agency can offer treatment to individuals who do not have reliable transportation options.
- Alternative to traditional services: Technology might be more appealing than traditional treatment methods and may encourage clients to continue therapy.

While tele-therapy does not replace a face to face visit it does provide innovation and diversity in mental health care approaches and more options for different types of care.

The Agency sets strategic goals every year. These initiatives for the FY 2021 were fiscally focused, sound and centered on quality care with measured outcomes. As the FY 2021 budget was developed, it measured staff loads in each program to determine the efficiency and productivity of programs and staff. Revenues and expenses were projected based upon realistic goals and expectations of the Agency. Each program area is expected to cover all expenses and generate surplus to go toward increasing cash surplus (known as reserve). The Agency will continue to research new funding sources, identify cost efficiencies, enhance reimbursement and billing procedures and maximize the utilization of services. Changes implemented should result in steady improvement to operating margins.

A significant change in FY 2021 for the Agency is the awarding of a $4 million Certified Community Behavioral Health Clinic Grant (CCBHC). The grant covers a 2-year period and was awarded in April of 2020. The grant will target adults with serious mental illness, substance use disorder, or co-occurring disorders and children with serious emotional disturbance. The project will expand capacity to provide additional Assertive Community Treatment services, to create a RN Care Coordination Team and to expand Crisis Management Services. The grant helps cover staff salaries of the newly created teams and allows the billing for services provided. It gives the Agency additional revenue without any added expense, therefore, generating surplus.

While the CCBHC grant is one of the Agency's largest grants, the Agency continues to apply for other grants which will help provide funds to sustain or expand services to individuals. In FY 2020, the Agency was awarded STEP VA funds. The STEP VA Program is a long-term initiative designed to improve the community behavioral health services available to all Virginians. The program will improve access, increase quality, build consistency and strengthen accountability. The services are intended to foster wellness among individuals with behavioral health disorders in everyday life to prevent crisis before they arise. Outcomes would include fewer admissions to state and private hospitals, decreased emergency room visits, and reduced involvement of individuals with behavioral health disorders in the criminal justice system. The Agency will receive in excess of $2 million in STEP VA mental health funds and substance use funds to provide services in FY 2021.

For FY 2021, the Agency will receive an increase in the amount of State Opioid Response (SOR) grant funds. SOR is a federally funded grant to offer direct substance use disorder and opioid use disorder programs and services to address prevention, treatment, and recovery in communities. The Agency will receive an amount of $650,000, which will help support the opening of a drug court program in the Wythe service area.

The Agency has applied for several COVID-19 grants to help cover additional expenses incurred to maintain the safety and health of staff and individuals. The Agency has spent in excess of $150,000 on personal protective equipment (PPE) and technology equipment. While these grants have not been awarded at this time, the Agency does anticipate receiving monies for grants applied for in FY 2021 to cover these costs.

In the Industrial and Developmental Centers (IDCs), various potential customers continue to tour the facilities and discuss development of new products with which the IDCs may be involved. One of the IDC's most significant customers, the United States Department of Defense, continues to generate a large amount of business. DOD items which the IDC continues to produce include the advanced combat shirt, enhanced combat helmet covers and the OCP helmet covers. IDC leadership remains involved with SourceAmerica, to maintain an awareness of current and upcoming federal government projects. The IDCs continue to serve various companies within our service region, including Blue Ridge Beverage (Gatorade) and the United States Forestry Service. The IDCs also continue to print products including T-shirts, tote bags, and other items. All these various contracts provide employment to individuals with disabilities who receive services at the IDCs.

The IDC's budgeted contract sales for FY 2021 decreased 13% ($1.3 million) from the amount budgeted in FY 2020. This decrease is mainly due to COVID-19. Because of social distancing, major changes were made in the IDC facilities. Transportation was suspended in April 2020. This suspension is suspected to continue until a vaccine is available. Several individuals we service have chosen to stay at home for health reasons, so the work staff is short. Workstations were arranged to provide the appropriate distance between workers, therefore reducing work staff. The IDCs are operating at about 70% capacity in production services, which reduces the amount of revenue from contract sales but also reduces the material and labor cost associated with producing the products.

Virginia's General Assembly passed a minimum wage law that was scheduled to go into effect on January 1, 2021. However, this bill was amended to delay the first increase to May 1, 2021, providing employers an additional four months to recover from the economic impact of the COVID-19 pandemic before allowing the law to take effect. The hourly minimum wage in Virginia will increase to $9.50 beginning May 1, 2021, to $11.00 on January 1, 2022, and to $12.00 on January 1, 2023. These increases will affect the hourly staff at the IDCs. For new contracts, the increase in the wage rate will be negotiated into the cost of the product. For existing contracts, the increase in the wage rate will reduce the profit on products sold.

In March 2020, the Virginia General Assembly passed a two-year budget that makes significant investments in mental health services for children and families. These investments target access to evidence-based services, children's psychiatric hospital census pressures, school-based mental health, primary and behavioral health care integration and workforce development. The Governor's biennium budget includes over $100 million in additional funding to improve the behavioral health system. The Agency feels this will have a positive economic impact as the Behavioral Health Enhancement efforts will increase rates for crisis management services, establish Medicaid reimbursement for Intensive Care Coordination, and incentivize the use of Applied Behavioral Analysis in service delivery.

Through the Coronavirus Relief Fund, the CARES Act provided for payments to State, Local and Tribal governments navigating the impact of the COVID-19 outbreak. This $150 billion relief fund will provide payments to eligible entities to cover necessary expenditures incurred in connection to the public health emergency with respect to COVID-19. One county in the Agency's service area contracted with the Agency to provide childcare services for approximately 40 children. Services are provided free of charge to eligible children and will operate September 2020 to December 2020. Payment to the Agency will be made from the County's COVID-19 funding.

One strategic plan developed for the FY 2021 year was around our residential services in the Agency's intellectual disability program. Several of the Agency's residential group homes has struggled with a large deficit every year. Residential group homes are recognized as one of the most successful long-term residential care alternatives of the developmentally disabled. The Agency's solution to these continued deficits is to transition homes to an Intermediate Care Facility (ICF). An ICF for individuals with Intellectual disabilities is an optional Medicaid benefit that provides comprehensive and individualized health care and rehabilitation services to individuals to promote their functional status and independence. Conversion of these homes should provide immediate fiscal relief to solving the fiscal deficits and help to increase the change in net position and cash reserve. ICF are also a tool to help census reduction for individuals at the Southwestern State Hospital. Any residential group home that does not meet budgetary goals will move to converting to an ICF. The group homes called "Carroll House" and "Green Valley" are slated for conversion to an ICF on January 1, 2021.

Sponsored residential services will see an upward swing in FY 2021. Sponsored residential providers are individuals or families who desire to make a positive impact on the lives of individuals with developmental disabilities by opening their home to provide care, compassion and the opportunity to live everyday family life that fosters relationships and community living. The Agency has been providing transitional support to several individuals that have agreed to transition their home to a sponsored residential support home.

During FY 2020, the Agency applied and was awarded money to develop and expand Crisis Care Centers. A crisis center is a resource for individuals going through a mental health crisis. Individuals struggling with crisis have long been sent to local emergency rooms for evaluation before they can receive treatment. In September 2019, the Agency opened the first crisis care center in the Smyth County area. The idea behind the Crisis Care Centers is to divert as many individuals as possible from hospitalization or arrest and allow people to seek needed help before they reach the point of crisis. The centers allow individuals to connect to psychiatric care much quicker with counselors available to assess needs and medication and detox can begin immediately.

The centers have been successful in helping reducing emergency room visits and state hospital visits. The Smyth Center originally open from 8am to 8pm will expand to a 24/7 facility in November 2020. The Agency will open the second crisis care center in Wythe County in October 2020 and a third center in December 2020 in the Twin County area.

The Agency will develop a Program for Assertive Community Treatment (PACT) team in the Twin County area which will be supported by the CCBHC grant discussed previously. The CCBHC grant will cover 40% of the salary and fringe benefits of the entire team for the 2-year grant period. This will help the team with start-up costs. Once established, the team is projected to provide billing to support all the program costs. This team is to be established and functional by August 2020 per grant specifications. A PACT program brings clinicians to individuals' homes and local communities and helps meet the ongoing needs of people with psychotic disorders such as schizophrenia, bipolar disorder, and psychosis. PACT services have been successful at reducing the number, frequency and length of hospital admissions.

A PACT team expansion in Smyth County is planned in November or December 2020. Grants have been applied and awarded to help the team with start-up costs. Once established, the team should bill Medicaid for services to support program costs.

The Agency plans on hiring a medical director in FY 2021. The medical director will plan, direct and coordinate the medical and health services of the Agency. By the hiring of a medical director, it meets the requirement of the CCBHC grant and will help with the transition of group homes into ICF homes. The medical director will supervise medical staff and will be responsible for keeping up-to-date with new regulations, technology or changes in healthcare laws.

During FY 2020, the Agency became aware Medicaid Managed Care Organizations (MCOs) were awarding card status to their customers who have a track of being effective partners. Anthem is the first MCO which offers "Gold Card" status. Gold Card status means that providers with this status do not need to complete authorization and registrations for Community Mental Health Rehabilitation services; to include Mental Health Skill Building, Intensive In-Home, Crisis Stabilization, Crisis

Intervention, PACT, Targeted Case Management, Psychosocial Rehabilitation and Behavior Therapy-ABA. Anthem will provide quarterly face-to-face consultations regarding utilization and outcomes. With the elimination of most authorization and registrations, this will take away the denied and pending authorization requests which will guarantee reimbursement for services. This will potentially increase programs' budgets.

While the Agency had several projects in progress during the FY 2020 year there was only a few projects still opened at year end. One project was the Wythe Crisis Care Center at 750 West Ridge Road in Wytheville. The facility was purchased in FY 2019. While the building remained vacant for some time, renovations began late in the FY 2020 year. The total costs incurred at June 30, 2020 were $723,819 with an expected move in date of September 7, 2020.

The Agency and primary architect were successful in working with legislators in pursuing a gift from the State of Virginia for around 7 acres in Marion, around the Southwest Virginia Mental Health Institute. The 2020 General Assembly approved legislation to transfer this property to the Agency, and the parties currently are finalizing the deed of transfer. The Agency has developed a master plan for this area to include development of campus starting with adult services, to include Mental Health Supports, PACT, Psychosocial Rehabilitation, and Crisis Care. The vision for the campus will be to have a café where individuals served are provided employment, a walking path, and a basketball court. Plans are underway to begin a capital campaign for these projects in spring 2021.

In July 2020, the Agency received notification from Smyth County that required the Agency to vacate the "Friendship House" on Broad Street. The Agency was on a month to month lease with the County. Fortunately, the Agency was able to secure property on Snider Street, which was owned by Smyth County Community Hospital, at a lease amount below fair market value rental rate.

The Agency has plans to enter a lease for rental property in Galax, Virginia. This property will house the Twin County Crisis Care Center, PACT Team, Mental Health Support team and a Psychosocial Rehabilitation team. The building is anticipated to be ready by October 1st and after some minor renovations, will be ready to move in.

The E.W. Cline Administrative Building in Wytheville has reached maximum capacity. With the goal of having all adult services housed in close proximity, the Agency has begun to explore property locations for expansion.

Request for Information

This financial report is designed to provide our citizens, individuals receiving services, and taxpayers with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be sent in writing to the Director of Finance and Administrative Services, Mount Rogers Community Services, 770 West Ridge Road, Wytheville, VA 24382.

BASIC FINANCIAL STATEMENTS

MOUNT ROGERS COMMUNITY SERVICES

STATEMENT OF NET POSITION
June 30, 2020
(With Comparative Totals for June 30, 2019)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 16,346,130	$ 11,836,657
Accounts receivable (net of allowance for doubtful accounts)	4,174,292	3,830,705
Prepaid expenses	820,251	611,923
Other receivables	246,163	176,868
Inventories	1,022,786	1,195,321
Interest receivable	-	129
Current portion of note receivable	-	5,000
Total current assets	22,609,622	17,656,603
RESTRICTED CURRENT ASSETS		
Cash and cash equivalents – restricted	60,588	60,588
Restricted deposits and funded reserves	61,396	64,576
Restricted assets – held in trust	157,825	106,052
Total restricted current assets	279,809	231,216
Total current assets and restricted current assets	22,889,431	17,887,819
NONCURRENT ASSETS		
Capital assets (net of accumulated depreciation)	18,634,131	18,995,578
Total assets	41,523,562	36,883,397
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	3,078,880	1,602,997
Deferred outflows related to other postemployment benefits	562,241	334,546
Total deferred outflows of resources	3,641,121	1,937,543
Total assets and deferred outflows of resources	$ 45,164,683	$ 38,820,940

(Continued)

The Notes to Financial Statements are an integral part of this statement.

MOUNT ROGERS COMMUNITY SERVICES

STATEMENT OF NET POSITION
June 30, 2020
(With Comparative Totals for June 30, 2019)

	2020	2019
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 1,259,225	$ 1,573,799
Accrued interest payable	50,249	53,757
Accrued liabilities	17,022	20,083
Unearned revenues	2,007,529	1,598,859
Accrued payroll	83,422	164,618
General note obligations, current obligations	275,873	626,770
Total current liabilities	3,693,320	4,037,886
LONG-TERM LIABILITIES		
Compensated absences	1,853,822	2,108,776
Net pension liability	5,626,062	3,990,844
Net other postemployment benefit liability	2,021,000	1,805,000
General note obligations, net of current obligations	3,603,133	3,878,923
Total long-term liabilities	13,104,017	11,783,543
OTHER LIABILITIES		
Liability for funds held in trust	157,825	106,052
Total liabilities	16,955,162	15,927,481
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	1,977,810	2,450,182
Deferred inflows related to other postemployment benefits	129,000	166,000
Total deferred inflows of resources	2,106,810	2,616,182
NET POSITION		
Net investment in capital assets	14,755,125	14,489,885
Restricted	121,984	125,164
Unrestricted	11,225,602	5,662,228
Total net position	26,102,711	20,277,277
Total liabilities, deferred inflows of resources and net position	$ 45,164,683	$ 38,820,940

The Notes to Financial Statements are an integral part of this statement.

MOUNT ROGERS COMMUNITY SERVICES

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

	2020	2019
OPERATING REVENUES		
Third-party fees	$ 35,035,235	$ 35,382,709
Contract sales	11,896,604	9,864,395
Contributions	93,361	35,646
Housing assistance payments	12,520	10,516
Other income	377,525	557,508
Total operating revenues	47,415,245	45,850,774
OPERATING EXPENSES		
Personnel	32,230,836	31,445,529
Staff development	74,573	165,414
Facilities	2,009,055	1,937,421
Equipment/supplies	6,395,327	5,387,273
Travel	649,744	845,726
Contract services	15,769,998	16,149,549
Miscellaneous	360,475	435,571
Depreciation	1,601,861	1,318,036
Total operating expenses	59,091,869	57,684,519
Operating loss	(11,676,624)	(11,833,745)
NONOPERATING REVENUE (EXPENSE)		
Interest income	118,837	149,148
Interest expense	(178,984)	(239,081)
Gain (loss) on sale/disposal of assets	41,612	(129,611)
Intergovernmental revenues:		
Commonwealth of Virginia	14,455,304	12,770,705
Federal Government	2,487,352	1,624,875
Local Governments	577,937	550,340
Total net nonoperating revenue	17,502,058	14,726,376
Change in net position	5,825,434	2,892,631
NET POSITION		
Beginning of year	20,277,277	17,384,646
End of year	$ 26,102,711	$ 20,277,277

The Notes to Financial Statements are an integral part of this statement.

MOUNT ROGERS COMMUNITY SERVICES

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

	2020	2019
OPERATING ACTIVITIES		
Receipts from individuals served and users	$ 54,069,361	$ 53,998,345
Cash paid to suppliers for goods and services	(25,836,593)	(18,992,449)
Cash paid to employees and for benefits	(39,772,710)	(45,728,125)
Net cash used in operating activities	(11,539,942)	(10,722,229)
NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental revenues	17,930,250	14,573,071
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,240,785)	(4,138,199)
Proceeds from sale of assets	41,983	2,875
Withdrawals from reserve accounts	3,180	330,625
Principal payments on borrowed funds	(626,687)	(3,944,582)
Proceeds from new debt	-	3,228,000
Receipts from note receivable	5,000	10,000
Interest expense	(182,492)	(279,355)
Net cash used in capital and related financing activities	(1,999,801)	(4,790,636)
INVESTING ACTIVITIES		
Interest income	118,966	150,156
Net cash provided by investing activities	118,966	150,156
Net increase (decrease) in cash and cash equivalents	4,509,473	(789,638)
CASH AND CASH EQUIVALENTS		
Beginning of year	11,897,245	12,686,883
End of year	$ 16,406,718	$ 11,897,245

(Continued)

The Notes to Financial Statements are an integral part of this statement.

MOUNT ROGERS COMMUNITY SERVICES

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

	2020	2019
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 16,346,130	$ 11,836,657
Cash and cash equivalents, restricted	60,588	60,588
	$ 16,406,718	$ 11,897,245
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (11,676,624)	$ (11,833,745)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,601,861	1,318,036
Changes in:		
Accounts receivable	(343,587)	1,186,090
Prepaid expenses	(208,328)	(27,262)
Other receivables	(71,845)	(25,865)
Inventories	172,535	(349,294)
Deferred outflows of resources	(1,703,578)	43,434
Accounts payable	(312,024)	(70,882)
Accrued liabilities	(4,048)	6,311
Accrued payroll and compensated absences	(336,150)	80,886
Net pension and OPEB liabilities	1,851,218	(1,433,447)
Deferred inflows of resources	(509,372)	383,509
Net cash used in operating activities	$ (11,539,942)	$ (10,722,229)

1. Summary of Significant Accounting Policies

A. Organization – Mount Rogers Community Services (the "Board") is a jointly governed entity that acts as an agent for the counties of Bland, Carroll, Grayson, Smyth, and Wythe, and the City of Galax, established under Chapter 5 of Title 37.2 of the *Code of Virginia* to establish and operate treatment programs for community mental health, developmental disabilities, and substance abuse disorders. The Board is made up of representatives of those jurisdictions. The Board is charged by the Virginia Department of Behavioral Health and Developmental Services with providing a system of comprehensive community mental health, developmental disabilities, and substance use services which relate to and are integrated with existing and planned programs within the limits of aforesaid jurisdictional boundaries. The Board currently provides these services through the operation of mental health clinics, industrial and developmental centers, residential programs, and substance use programs throughout the program area.

B. Financial Reporting Entity – The Board has adopted the provisions of Governmental Accounting Standards Board (GASB) No. 39, *Determining Whether Certain Organizations are Component Units*. This statement provides guidance to determine whether certain organizations should be reported as a component unit based on the nature and significance of their relationship with the Board. Generally, it requires reporting, as a component unit, any organization that raises and holds economic resources for the direct benefit of the Board. The financial statements include all funds, agencies, boards, commissions, and authorities that the Board has determined should be included as a component unit. The component units discussed below are blended component units and are included in the Board's reporting entity because of the significance of their operational or financial relationships with the Board.

1. Mount Rogers Community Services, Inc. operates a home for the mentally handicapped. The Board can impose its will on the organization since the home is managed by employees of the Board. The members of the Mount Rogers Community Services, Inc. are the same individuals who are board members of Mount Rogers Community Services. The Board sets rates and charges for the home. Separately issued financial statements can be obtained from Mount Rogers Community Services, Inc.

2. Mount Rogers Community Services Employee Trust was created to provide health and dental benefits to the Board's employees. The Board sets rates and subsidizes the Trust fund as well as providing management functions. The Mount Rogers Community Services Board Employee Trust does not issue separate financial statements.

The Board's financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. As a result, the financial statements include a Management's Discussion and Analysis (MD&A) section, providing an analysis of the Board's overall financial position and results of operations.

C. Basis of Accounting and Financial Statement Presentation – The Board is funded by federal, state, and local funds. Its accounting policies are governed by applicable provisions of these grants and applicable pronouncements and publications of the grantors. The financial statements of the Board have been prepared on the accrual basis of accounting as required by accounting principles generally accepted in the United States of America (GAAP) for governmental health care reporting entities.

Pursuant to recommendations by the State Department of Behavioral Health and Developmental Services (DBHDS), local, state, and federal allocations (considered "subsidies" as defined by GASB and DBHDS) are presented as non-operating revenues.

(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. 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.

E. Net Position Flow Assumption – At times, the Board will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

F. Inventory – The Board recognizes inventory at lower of cost or market. Inventory is priced using the FIFO method. Inventory consists of raw materials, work-in-process and finished goods for the manufacturing process at the Industrial Development Centers and electronic equipment maintained for programs throughout the catchment area.

G. Capital Assets – The Board capitalizes and depreciates all capital assets that have a value of $5,000 or greater. Property, plant, and equipment purchased are stated at cost or estimated cost. Donated property is recorded at acquisition value prevailing at date of donation. Depreciation has been provided for capital assets and depreciated on a straight-line basis over the estimated useful lives of property and equipment as follows:

	Years
Buildings	40
Leasehold improvements	15
Office furniture and equipment	3-5
Vehicles	3-5

H. Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Net Client Service Revenue – Net client service revenue is recorded at scheduled rates when services are rendered. Allowances and provisions for uncollectible accounts and contractual adjustments are deducted to arrive at net client service revenue as are charges for charity services. Retroactive adjustments, if any, are reported in operations in the year of settlement.

J. Cash and Cash Equivalents – For purposes of the statement of cash flows, Mount Rogers Community Services considers all highly liquid debt instruments purchased with an original maturity of three months or less from the date of acquisition to be cash equivalents.

(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

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

The Board calculates its allowance for doubtful accounts using historical collection data, and in most cases, specific account analysis. A charge to income to absorb possible credit losses is provided when, in the opinion of management, it is appropriate. The receivables shown in the financial statements are shown net of allowances for doubtful accounts. The allowance for doubtful accounts totaled $1,408,169 for 2020.

L. Income Taxes – As a political subdivision of the Commonwealth of Virginia, the Board is exempt from federal and state income taxes.

M. Advertising – Advertising costs are charged to operations when incurred.

N. Risk Management – The Board is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Workman's Compensation Insurance is provided through the Virginia Association of Counties (VaCorp) Self Insurance Group. Benefits are those afforded through the Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65-2-100. Premiums are based upon covered payroll, job rates, and claims experience.

The Board provides general liability, machinery, property and automotive insurance through a policy with the VaCorp Self Insurance Group. General and business automobile liability has a $5,000,000 aggregate limit. Professional liability and public officials' liability with a $1,000,000 limit are covered through a policy with the Commonwealth of Virginia.

Healthcare Insurance coverage is provided to the employees through a policy with Local Choice/Anthem, which is a Commonwealth of Virginia pooled plan. Partial premiums are withheld from the employee's earnings and remaining premiums are paid by the Board. Retired employees who meet the Board's criteria for coverage are covered by the program.

There were no significant reductions in insurance coverage from the prior fiscal year and no settlements that exceeded the amount of insurance coverage during the current or preceding years.

O. Settlements Due To/From Third-Party Programs and Contractual Adjustments – A significant portion of the Department's services are rendered to patients covered by Medicare, Medicaid, or Insurance Companies. These third-party payers have entered into contractual arrangements with the Board for reimbursement of services provided to patients. Generally, third-party payers, at the lower of cost of charges or at prospectively determined rates reimburse the Board for patient services.

(Continued)

1. Summary of Significant Accounting Policies (Continued)

O. Settlements Due To/From Third-Party Programs and Contractual Adjustments (Continued)

In accordance with the third-party payer agreements, the difference between covered charges, whether based upon allowable costs of services or prospectively determined rates and the Board's standard billing rates result in contractual adjustments. Contractual adjustments are recorded as deductions from patient service revenue in the period in which the related services are rendered.

The annual settlements from reimbursement of patient services covered by third-party programs are determined through cost reports, which are subject to audit and retroactive adjustment by these third parties. The settlements receivable or payable from third-party programs are recorded in the accompanying financial statements.

P. Budgets and Budgetary Accounting – The Board's annual budget is a management tool that assists users in analyzing financial activity for its fiscal year ending June 30. The Board's largest funding source is fee-for-service payments, primarily Medicaid and other insurers. Federal, state and local appropriations are also significant revenue sources that have periods that may or may not coincide with the Board's fiscal year. These appropriations normally are for a twelve-month period; however they can be awarded for periods shorter or longer than twelve months.

Because of the Board's dependency on uncertain fee revenues and on federal, state, and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The Board's annual budget differs from that of a local government due to the uncertain nature of fee-for-service payments from other payers.

The annual budget is subject to constant change within the fiscal year due to:

- The extent to which fee revenues are realized.
- Increases/decreases in actual appropriation from those estimated.
- Unanticipated appropriations not included in the budget.
- Expected appropriations that fail to materialize.

The Board of Directors formally approves the annual budget. If a revision is needed, the Board of Directors formally approves a revised annual budget.

Q. Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Board has three items which qualify for reporting in this category. One item is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, changes in assumptions, and the net difference between projected and actual earning on pension plan investments. The second item is comprised of contributions to the pension and other postemployment benefits (OPEB) plans made during the current year and subsequent to the net pension liability measurement date which will be recognized as a reduction of the net pension liability next fiscal year. The third item relates to changes in proportionate share between measurement dates on the OPEB liability. For more detailed information on these items, please reference the pension and OPEB notes.

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Q. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two items which qualify for reporting in this category. Certain items related to the measurement of the net pension liability and the net OPEB liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan and OPEB plan investments. For more detailed information on these items, please reference the pension and OPEB notes.

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

S. Investments – The Board's money market investments that have a remaining maturity at the time of purchase of one year or less are measured at fair value.

2. Deposits and Investments

Deposits – Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the Act) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and saving 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% or excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments – Statutes authorize the Board 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).

The Board's investments as of June 30, 2020 were rated by Standard and Poor and the ratings are presented below using the Standard and Poor's rating scale.

	Rating		
Rated Investment Type	**AAAm**	**Unrated**	**Total**
Money Market Fund	$ 61,396	$ -	$ 61,396

2. Deposits and Investments (Continued)

Custodial Credit Risk – For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Mutual funds are not considered to have custodial credit risk. The Board invests only in those investments authorized by the *Code of Virginia*. Therefore the custodial credit risk is minimized.

Concentration of Credit Risk – If certain investments in any one issuer represents 5% of total investments, there must be a disclosure for the amount and issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. Therefore the Board does not have any investments for this disclosure requirement.

Interest Rate Risk – In accordance with its investment policy, the Board manages its exposure to declines in fair values by limiting the maturity of its investments to less than six months.

Investments are categorized below to give an indication of the level of risk assumed by the Board at year end.

Investment Type	Fair Value	Less Than 1 Year
Money Market Fund	$ 61,396	$ 61,396

3. 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 Board categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Board maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date.
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices.
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

3. Fair Value Measurements (Continued)

The Board has the following recurring fair value measurements as of June 30, 2020:

Investment		Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Fund	$ 61,396	$ 61,396	$ -	$ -

4. Capital Assets

A summary of capital assets is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets:				
Land	$ 744,011	$ -	$ -	$ 744,011
Construction in progress	3,533,658	323,841	3,118,277	739,222
Total non-depreciable assets	4,277,669	323,841	3,118,277	1,483,233
Depreciable assets:				
Buildings and improvements	20,031,331	3,339,655	1,383	23,369,603
Equipment and vehicles	6,410,741	695,566	417,893	6,688,414
Total depreciable assets	26,442,072	4,035,221	419,276	30,058,017
Accumulated depreciation:				
Buildings and improvements	(7,225,034)	(668,776)	1,012	(7,892,798)
Equipment and vehicles	(4,499,129)	(933,085)	417,893	(5,014,321)
Total accumulated depreciation	(11,724,163)	(1,601,861)	418,905	(12,907,119)
Net depreciable assets	14,717,909	2,433,360	371	17,150,898
Total net capital assets	$ 18,995,578	$ 2,757,201	$ 3,118,648	$ 18,634,131

5. Local Government Revenue

The following are the local revenue receipts for the year ended June 30, 2020:

Bland County	$	37,255
Carroll County		130,500
City of Galax		38,611
Grayson County		41,200
Smyth County		166,022
Wythe County		164,349
	$	577,937

6. Long-Term Liabilities

A summary of long-term liabilities follows:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirement	Ending Balance
Signature Public Funding Corporation	$ 3,138,400	$ -	$ 172,800	$ 2,965,600
Rural Development Note Payable	862,228	-	22,243	839,985
First Bank & Trust Note Payable	505,065	-	431,644	73,421
Compensated Absences	2,108,776	-	254,954	1,853,822
	$ 6,614,469	$ -	$ 881,641	$ 5,732,828

A detail summary of long-term liabilities follows:

Rural Development Note Payable, issued August 8, 2002. Interest only payments for the first years at 4.50% interest rate. Monthly principal and interest reductions totaling $5,049 beginning August 8, 2004. Note matures February 2042, secured by real estate.	$ 839,985
First Bank and Trust Note Payable, unsecured note dated August 14, 2015. Monthly principal and interest reductions totaling $37,064 with interest at a rate of 4.25%, maturing August 14, 2020.	73,421
Signature Public Funding Corporation note payable Original loan of $3,228,800, dated December 13, 2019 4.00% interest, yearly principal reductions and semi-annual interest payments. Matures August 1, 2038, secured by real estate	2,965,600
	$ 3,879,006

6. Long-Term Liabilities (Continued)

Annual requirements to amortize long-term liabilities:

Year Ending June 30,	Principal	Interest
2021	$ 275,785	$ 156,337
2022	209,533	147,715
2023	216,751	139,189
2024	228,721	130,367
2025	235,743	121,060
2026-2030	1,333,621	453,028
2031-2035	1,025,812	170,116
2036-2040	250,124	52,816
2041-2042	102,916	4,344
	$ 3,879,006	$ 1,374,972

7. Compensated Absences

Compensated Absences for Employees Hired Prior to January 1, 2014:

Employees with up to six months of service earn annual leave at the rate of 7.5 hours per month. Employees with six months to five years of service earn annual leave at the rate of 10.63 hours per month. For employee service greater than five years but less than ten years, time is earned at a rate of 14.38 hours per month. After ten years, annual leave is earned by the employee at a rate of 16.38 hours per month. Annual leave is accrued up to 21 days and is paid upon termination or retirement. Employees accrue sick leave at the rate of 11.25 hours per month. Accumulation of sick leave is unlimited during continued employment. Upon separation from the Board's employment, employees with at least five consecutive years of full time employment will be eligible to receive a one-time cash payment for unused sick leave. This sick leave payout is the lesser of 25% of the unused sick leave balance or the following amounts: five year service is a maximum payout of $1,500; ten year service is a maximum payout of $3,000; fifteen year service is a maximum payout of $4,500; twenty year service is a maximum payout of $6,000; twenty-five year service is a maximum payout of $7,500 and a thirty plus service is a maximum payout of $9,000.

Compensated Absences for Employees Hired on or after January 1, 2014:

Employees who were hired on or after January 1, 2014 will earn paid time off (PTO) at a rate of 12.5 hours per month during the first year of employment through the fifth year of employment. For employees with service greater than five years but less than ten years of time will earn 16.25 hours per month. After ten years, time will accrue at a rate of 18.75 hours per month. Accumulation of PTO time is limited to 157.5 hours for the first five years of employment, 202.5 hours for the sixth through the tenth year, and 217.5 hours for eleven years and beyond. PTO time of up to 21 days can be paid upon termination or retirement.

The Board has outstanding accrued vacation pay that totals $734,328, sick leave accrual of $594,963 and PTO accrual of $524,231 as of June 30, 2020.

8. Surety Bond

The Board maintains a surety bond insurance policy as part of its regular liability insurance. The insurance is maintained with VaCorp and the amount of coverage is $250,000.

(Continued)

9. Leased Facilities

All facilities utilized by the Board are reflected as operating leases in the financial statements. The annual lease payments on all facilities totaled $482,020 in 2020.

10. Unearned Revenue

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. This represents a liability incurred by the Board for monies accepted from a grantor using the advance method for payment. The Board has unearned revenue comprised of the following:

Money received from federal and state agencies in advance of the expenditure. All monies restricted for a specific purpose are carried over into the next fiscal year.	$ 1,999,597
Contributions for the building of a Veteran's Memorial. These contributions are restricted for the purpose of the memorial and revenue will be deferred until the time the total obligation of the memorial has been met.	928
Money received from individuals and third-party insurance companies for services to be provided. If an individual pre-pays for a service or money is received by the Board in error, these funds are accumulated until at what time they can be refunded or applied to an account for payment on services.	7,004
	$ 2,007,529

11. Contingent Liabilities

Federal programs in which Mount Rogers Community Services participates were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).* Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of material noncompliance were disclosed by the audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

12. Restricted Assets – Held in Trust

The Board manages several individual funds. The Board segregates these monies held on behalf of the individuals served and considers them as a fiduciary responsibility. These funds are shown aggregated as an asset entitled "restricted asset – held in trust" and are also reflected as a liability titled "liability for funds held in trust". These accounts totaled $157,825 at June 30, 2020.

(Continued)

13. Restricted Cash

The Board has a loan with Rural Development which requires a reserve equal to one year's payment be accumulated. This reserve is to be accumulated at a rate of 10% per year until the entire amount of $60,588 is accumulated and restricted. At June 30, 2020, an amount of $60,588 has been reflected as restricted cash for this purpose.

14. Defined Benefit Pension Plan

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are at:

- https://www.varetire.org/members/benefits/defined-benefit/plan1.asp,
- https://www.varetire.org/members/benefits/defined-benefit/plan2.asp,
- https://www.varetirement.org/hybrid.html.

Employees Covered by Benefit Terms

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

	Members
Inactive members or their beneficiaries currently receiving benefits	81
Inactive members:	
Vested inactive members	40
Non-vested inactive members	66
Inactive members active elsewhere in VRS	37
Total inactive members	143
Active members	586
Total covered employees	810

14. Defined Benefit Pension Plan (Continued)

Contributions

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

The Board's contractually required contribution rate for the year ended June 30, 2020 was 6.17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were $1,576,893 and $1,502,783 for the years ended June 30, 2020 and 2019, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates: 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

14. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00%		4.80
Inflation			2.50
*Expected arithmetic nominal return			7.30%

* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

(Continued)

14. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) – (b)
Balances at June 30, 2018	$ 44,097,984	$ 40,107,140	$ 3,990,844
Changes for the year:			
Service cost	2,150,030	-	2,150,030
Interest	3,025,211	-	3,025,211
Changes of assumptions	1,618,742	-	1,618,742
Differences between expected and actual experience	98,895	-	98,895
Contributions – employer	-	1,379,442	(1,379,442)
Contributions – employee	-	1,155,801	(1,155,801)
Net investment income	-	2,749,669	(2,749,669)
Benefit payments, including refunds of employee contributions	(1,761,367)	(1,761,367)	-
Administrative expenses	-	(25,512)	25,512
Other changes	-	(1,740)	1,740
Net changes	5,131,511	3,496,293	1,635,218
Balances at June 30, 2019	$ 49,229,495	$ 43,603,433	$ 5,626,062

14. Defined Benefit Pension Plan (Continued)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability	$ 12,752,965	$ 5,626,062	$ 4,649

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

For the year ended June 30, 2020, the Board recognized pension expense of $1,140,515. At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 159,010	$ 1,213,053
Change in assumptions	1,342,977	379,894
Net difference between projected and actual earnings on pension plan investments	-	384,863
Employer contributions subsequent to the measurement date	1,576,893	-
Total	$ 3,078,880	$ 1,977,810

14. Defined Benefit Pension Plan (Continued)

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

The $1,576,893 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2021	$ (200,699)
2022	(506,320)
2023	(68,368)
2024	89,157
2025	210,407
Thereafter	-

Pension Plan Data

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

15. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Board also participates in cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Plan Descriptions (Continued)

Group Life Insurance Program (Continued)

Specific information for the GLI is available at https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp.

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2020 Contribution	$135,241
June 30, 2019 Contribution	$127,546

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

The net OPEB liabilities were measured as of June 30, 2019 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2020 proportionate share of liability	$	2,021,000
June 30, 2019 proportion		0.12417%
June 30, 2018 proportion		0.11886%
June 30, 2020 expense	$	84,835

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 134,000	$ 26,000
Change in assumptions	128,000	61,000
Net difference between projected and actual earnings on OPEB plan investments	-	42,000
Changes in proportion	165,000	-
Employer contributions subsequent to the measurement date	135,241	-
	$ 562,241	$ 129,000

The deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2021	$ 45,291
2022	45,292
2023	62,871
2024	70,509
2025	58,466
Thereafter	15,957

(Continued)

15. Other Postemployment Benefits Liability – Virginia Retirement System Plans Continued

Actuarial Assumptions

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2018, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
Investment rate of return, net of expenses, including inflation*	GLI: 6.75%

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 14.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB liability	$ 3,390,238
Plan fiduciary net position	1,762,972
Employers' net OPEB liability (asset)	1,627,266
Plan fiduciary net position as a percentage of total OPEB liability	52.00 %

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

16. Litigation

At June 30, 2020, there were no matters of litigation involving the Board or which would materially affect the Board's financial position should any court decisions on pending matters not be favorable to the Board.

17. Line of Credit

The Board has a $10,000,000 revolving bank line of credit which bears interest at a variable rate (1.91% at June 30, 2020). The line is payable on demand and has an annual renewal. The next renewal date is December 19, 2020. There were no amounts outstanding on the line at June 30, 2020.

18. COVID-19 Impact

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Board's operations are heavily dependent on the ability to assess fees for services, maintain grant funding levels, and access the capital markets. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the Board received revenue during fiscal year 2020. As such, our financial condition and liquidity may be negatively impacted for the fiscal years 2020 and 2021.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Board's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Board is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

19. Upcoming Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95**, Postponement of the Effective Dates of Certain Authoritative Guidance due to the COVID-19 pandemic.

In January 2017, the GASB issued **Statement No. 84**, Fiduciary Activities. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, The GASB issued **Statement No. 87**, Leases. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

(Continued)

19. Upcoming Pronouncements (Continued)

In August 2018, the GASB issued **Statement No. 90**, Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued **Statement No. 91**, Conduit Debt Obligations. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92**, Omnibus. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93**, Replacement of Interbank Offered Rates. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

19. Upcoming Pronouncements (Continued)

In March 2020, the GASB issued **Statement No. 94**, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MOUNT ROGERS COMMUNITY SERVICES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2020

	Plan Year Ended June 30,		
	2019	**2018**	**2017**
Total Pension Liability			
Service cost	$ 2,150,030	$ 2,024,924	$ 2,060,627
Interest on total pension liability	3,025,211	2,871,431	2,702,931
Difference between expected and actual experience	98,895	(1,063,379)	(249,800)
Changes of assumptions	1,618,742	-	(717,076)
Benefit payments, including refunds of employee contributions	(1,761,367)	(1,510,880)	(1,268,175)
Net change in total pension liability	5,131,511	2,322,096	2,528,507
Total pension liability – beginning	44,097,984	41,775,888	39,247,381
Total pension liability – ending	49,229,495	44,097,984	41,775,888
Plan Fiduciary Net Position			
Contributions – employer	1,379,442	1,564,202	1,496,594
Contributions – employee	1,155,801	1,082,727	1,039,755
Net investment income	2,749,669	2,717,069	3,908,620
Benefit payments, including refunds of employee contributions	(1,761,367)	(1,510,880)	(1,268,175)
Administrative expenses	(25,512)	(22,128)	(20,897)
Other	(1,740)	(3,447)	(3,545)
Net change in plan fiduciary net position	3,496,293	3,827,543	5,152,352
Plan fiduciary net position – beginning	40,107,140	36,279,597	31,127,245
Plan fiduciary net position – ending	43,603,433	40,107,140	36,279,597
Net pension liability – ending	$ 5,626,062	$ 3,990,844	$ 5,496,291
Plan fiduciary net position as a percentage of total pension liability	88.57%	90.95%	86.84%
Covered employee payroll	$ 25,494,860	$ 22,603,742	$ 21,242,628
Net pension liability as a percentage of covered employee payroll	22%	18%	26%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this schedule.

Plan Year Ended June 30,		
2016	2015	2014
$ 2,084,897	$ 2,052,217	$ 2,029,879
2,457,389	2,300,997	2,063,206
169,967	(1,120,054)	-
-	-	-
(1,140,872)	(857,080)	(535,063)
3,571,381	2,376,080	3,558,022
35,676,000	33,299,920	29,741,898
39,247,381	35,676,000	33,299,920
1,526,709	1,534,637	2,012,595
966,873	971,352	960,348
564,555	1,259,817	3,448,725
(1,140,872)	(857,080)	(535,063)
(17,332)	(15,399)	(16,211)
(227)	(275)	182
1,899,706	2,893,052	5,870,576
29,227,539	26,334,487	20,463,911
31,127,245	29,227,539	26,334,487
$ 8,120,136	$ 6,448,461	$ 6,965,433
79.31%	81.92%	79.08%
$ 19,674,596	$ 19,578,839	$ 19,099,555
41%	33%	36%

MOUNT ROGERS COMMUNITY SERVICES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2020

Year Ended June 30,	Contractually Determined Contribution	Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$ 1,576,893	$ 1,576,893	$ -	$ 25,494,860	6.19 %
2019	1,502,783	1,502,783	-	24,356,288	6.17
2018	1,656,102	1,656,102	-	22,603,742	7.33
2017	1,497,576	1,497,576	-	21,242,628	7.05
2016	1,526,709	1,526,709	-	19,674,596	7.76
2015	1,534,637	1,534,637	-	19,578,839	7.84

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this schedule.

MOUNT ROGERS COMMUNITY SERVICES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2020

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance – General Employees					
2020	0.124	$ 2,021,000	$ 25,494,860	7.93 %	52.00 %
2019	0.118	1,805,000	24,356,288	7.41	51.22
2018	0.115	1,733,000	22,603,742	7.67	48.86

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

MOUNT ROGERS COMMUNITY SERVICES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2020

Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System – Group Life Insurance – General Employees					
2020	$ 135,241	$ 135,241	$ -	$ 25,494,860	0.53 %
2019	127,546	127,546	-	24,356,288	0.52
2018	118,410	118,410	-	22,603,742	0.52

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty Disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

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OTHER SUPPLEMENTARY INFORMATION

MOUNT ROGERS COMMUNITY SERVICES

COMBINING STATEMENT OF NET POSITION
June 30, 2020

	Mount Rogers Community Services	Regional and Special Project Fiscal Agent	Employee Benefit Trust
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 12,384,915	$ 988,437	$ 2,933,597
Accounts receivable (net of allowance for doubtful accounts)	4,174,292	-	-
Prepaid expenses	164,571	-	565,104
Other receivables	247,225	-	1,488
Inventories	1,022,786	-	-
Total current assets	17,993,789	988,437	3,500,189
RESTRICTED CURRENT ASSETS			
Cash and cash equivalents – restricted	60,588	-	-
Restricted deposits and funded reserves	61,396	-	-
Restricted assets – held in trust	157,825	-	-
Total restricted current assets	279,809	-	-
Total current and restricted current assets	18,273,598	988,437	3,500,189
NONCURRENT ASSETS			
Amount due from component unit	138,785	-	-
Property and equipment (net of accumulated depreciation)	17,955,157	-	-
Total assets	36,367,540	988,437	3,500,189
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	3,078,880	-	-
Deferred outflows related to other postemployment benefits	562,241	-	-
Total deferred outflows of resources	3,641,121	-	-
Total assets and deferred outflows of resources	$ 40,008,661	$ 988,437	$ 3,500,189

(Continued)

Mount Rogers Community Services, Inc.	Inter-Company Eliminations	Total
$ 39,181	$ -	$ 16,346,130
-	-	4,174,292
90,576	-	820,251
-	(2,550)	246,163
-	-	1,022,786
129,757	(2,550)	22,609,622
-	-	60,588
-	-	61,396
-	-	157,825
-	-	279,809
129,757	(2,550)	22,889,431
-	(138,785)	-
678,974	-	18,634,131
808,731	(141,335)	41,523,562
-	-	3,078,880
-	-	562,241
-	-	3,641,121
$ 808,731	$ (141,335)	$ 45,164,683

MOUNT ROGERS COMMUNITY SERVICES

COMBINING STATEMENT OF NET POSITION
June 30, 2020

	Mount Rogers Community Services	Regional and Special Project Fiscal Agent	Employee Benefit Trust
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$ 1,259,225	$ -	$ -
Accrued interest payable	50,249	-	-
Accrued liabilities	17,022	-	-
Unearned revenues	1,019,092	988,437	-
Accrued payroll	83,422	-	-
General obligations, current obligations	275,873	-	-
Total current liabilities	2,704,883	988,437	-
LONG-TERM LIABILITIES			
Compensated absences	1,853,822	-	-
Net pension liability	5,626,062	-	-
Net other postemployment benefit liability	2,021,000	-	-
General note obligations, net of current obligations	3,603,133	-	-
Total long-term liabilities	13,104,017	-	-
OTHER LIABILITIES			
Liability for funds held in trust	157,825	-	-
Total liabilities	15,966,725	988,437	-
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,977,810	-	-
Deferred inflows related to other postemployment benefits	129,000	-	-
Total deferred inflows of resources	2,106,810	-	-
NET POSITION			
Net investment in capital assets	14,076,151	-	-
Restricted	121,984	-	-
Unrestricted	7,736,991	-	3,500,189
Total net position	21,935,126	-	3,500,189
Total liabilities, deferred inflows of resources, and net position	$ 40,008,661	$ 988,437	$ 3,500,189

Mount Rogers Community Services, Inc.	Inter-Company Eliminations	Total
$ 2,550	$ (2,550)	$ 1,259,225
-	-	50,249
138,785	(138,785)	17,022
-	-	2,007,529
-	-	83,422
-	-	275,873
141,335	(141,335)	3,693,320
-	-	1,853,822
-	-	5,626,062
-	-	2,021,000
-	-	3,603,133
-	-	13,104,017
-	-	157,825
141,335	(141,335)	16,955,162
-	-	1,977,810
-	-	129,000
-	-	2,106,810
678,974	-	14,755,125
-	-	121,984
(11,578)	-	11,225,602
667,396	-	26,102,711
$ 808,731	$ (141,335)	$ 45,164,683

MOUNT ROGERS COMMUNITY SERVICES

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

	Mount Rogers Community Services Board	Regional and Special Project Fiscal Agent	Employee Benefit Trust
OPERATING REVENUES			
Third-party fees	$ 34,992,462	$ -	$ 42,773
Contract sales	11,896,604	-	-
Contributions	85,785	-	7,576
Housing assistance payments	-	-	-
Health care benefit payments	-	-	7,012,463
Other income	342,229	14,588	-
Total operating revenues	47,317,080	14,588	7,062,812
OPERATING EXPENSES			
Personnel	39,070,780	172,519	-
Staff development	73,203	1,370	-
Facilities	1,990,780	10,460	-
Equipment/supplies	6,389,540	4,197	-
Travel	646,732	3,012	-
Contract services	4,948,420	4,045,002	6,774,026
Miscellaneous	338,374	8,056	12,986
Depreciation	1,575,106	-	-
Total operating expenses	55,032,935	4,244,616	6,787,012
Operating income (loss)	(7,715,855)	(4,230,028)	275,800
NONOPERATING REVENUE (EXPENSE)			
Interest income	89,859	-	28,978
Interest expense	(178,984)	-	-
Gain (loss) on sale/disposal of assets	41,983	-	-
Intergovernmental revenues:			
Commonwealth of Virginia	10,314,275	4,141,029	-
Federal Government	2,398,353	88,999	-
Local Governments	577,937	-	-
Total nonoperating revenue (expense)	13,243,423	4,230,028	28,978
Change in net position	5,527,568	-	304,778
NET POSITION			
Beginning of year	16,407,558	-	3,195,411
End of year	$ 21,935,126	$ -	$ 3,500,189

Mount Rogers Community Services, Inc.	Inter-Company Eliminations	Total
$ -	$ -	$ 35,035,235
-	-	11,896,604
57,085	(57,085)	93,361
12,520	-	12,520
-	(7,012,463)	-
20,708	-	377,525
90,313	(7,069,548)	47,415,245
-	(7,012,463)	32,230,836
-	-	74,573
7,815	-	2,009,055
1,590	-	6,395,327
-	-	649,744
59,635	(57,085)	15,769,998
1,059	-	360,475
26,755	-	1,601,861
96,854	(7,069,548)	59,091,869
(6,541)	-	(11,676,624)
-	-	118,837
-	-	(178,984)
(371)	-	41,612
-	-	14,455,304
-	-	2,487,352
-	-	577,937
(371)	-	17,502,058
(6,912)	-	5,825,434
674,308	-	20,277,277
$ 667,396	$ -	$ 26,102,711

MOUNT ROGERS COMMUNITY SERVICES

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

	Mount Rogers Community Services Board	Regional and Special Project Fiscal Agent
OPERATING ACTIVITIES		
Receipts from individuals served and users	$ 46,822,604	$ 14,588
Cash paid to suppliers for goods and services	(14,610,078)	(4,244,616)
Cash paid to employees and for benefits	(39,772,710)	-
Net cash provided by (used in) operating activities	(7,560,184)	(4,230,028)
NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental revenues	13,279,640	4,650,610
Net cash provided by noncapital financing activities	13,279,640	4,650,610
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,190,489)	-
Proceeds from sale of assets	41,983	-
Withdrawals from reserve accounts	3,180	-
Principal payments on borrowed funds	(626,687)	-
Primary government/component unit transfers (to) from	(138,785)	-
Receipts from note receivable	5,000	-
Interest expense	(182,492)	-
Net cash provided by (used in) capital and related financing activities	(2,088,290)	-
INVESTING ACTIVITIES		
Interest income	89,988	
Net cash provided by investing activities	89,988	-
Net increase in cash and cash equivalents	3,721,154	420,582
CASH AND CASH EQUIVALENTS		
Beginning of year	8,724,349	567,855
End of year	$ 12,445,503	$ 988,437

(Continued)

Employee Benefit Trust	Mount Rogers Community Services, Inc.	Total
$ 7,141,856	$ 90,313	$ 54,069,361
(6,823,410)	(158,489)	(25,836,593)
-	-	(39,772,710)
318,446	(68,176)	(11,539,942)
-	-	17,930,250
-	-	17,930,250
-	(50,296)	(1,240,785)
-	-	41,983
-	-	3,180
-	-	(626,687)
-	138,785	-
-	-	5,000
-	-	(182,492)
-	88,489	(1,999,801)
28,978	-	118,966
28,978	-	118,966
347,424	20,313	4,509,473
2,586,173	18,868	11,897,245
$ 2,933,597	$ 39,181	$ 16,406,718

MOUNT ROGERS COMMUNITY SERVICES

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

	Mount Rogers Community Services Board	Regional and Special Project Fiscal Agent
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 12,384,915	$ 988,437
Cash and cash equivalents, restricted	60,588	-
	$ 12,445,503	$ 988,437
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ (7,715,855)	$ (4,230,028)
Adjustments to reconcile to operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,575,106	-
Changes in:		
Accounts receivables	(343,587)	-
Prepaid expenses	(83,714)	-
Other receivables	(150,889)	-
Inventories	172,535	-
Deferred outflows of resources	(1,703,578)	-
Accounts payable	(311,850)	-
Accrued liabilities	(4,048)	-
Accrued payroll and compensated absences	(336,150)	-
Net pension and OPEB liabilities	1,851,218	-
Deferred inflows of resources	(509,372)	-
Net cash provided by (used in) operating activities	$ (7,560,184)	$ (4,230,028)

Employee Benefit Trust	Mount Rogers Community Services, Inc.	Total
$ 2,933,597	$ 39,181	$ 16,346,130
-	-	60,588
$ 2,933,597	$ 39,181	$ 16,406,718
$ 275,800	$ (6,541)	$ (11,676,624)
-	26,755	1,601,861
	-	
-	-	(343,587)
(34,038)	(90,576)	(208,328)
79,044	-	(71,845)
-	-	172,535
-	-	(1,703,578)
(2,360)	2,186	(312,024)
-	-	(4,048)
-	-	(336,150)
-	-	1,851,218
-	-	(509,372)
$ 318,446	$ (68,176)	$ (11,539,942)

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COMPLIANCE SECTION

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Mount Rogers Community Services
Wytheville, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities*, *Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Mount Rogers Community Services (the "Board"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 13, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance 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 Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 13, 2020

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

To the Board of Directors
Mount Rogers Community Services
Wytheville, Virginia

Report on Compliance for the Major Federal Program

We have audited Mount Rogers Community Services' (the "Board") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Board's major federal program for the year ended June 30, 2020. The Board's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The Board's basic financial statements include the operations of Mount Rogers Community Services, Inc., which is the recipient of $12,520 in Housing and Urban Development tenant rent assistance funds. These federal awards are not included in the Board's schedule of expenditures of federal awards for the year ended June 30, 2020, which are audited in a separate engagement.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Board's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Board's compliance.

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Report on Compliance for the Major Federal Program (Continued)

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The Board's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion the response.

Report on Internal Control over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 13, 2020

MOUNT ROGERS COMMUNITY SERVICES

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through:			
Virginia Department of Behavioral Health and Developmental Services:			
Block Grants for Community Mental Health Services	93.958	N/A	$ 302,948
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	660,841
Substance Abuse & Mental Health Services – Projects of Regional & National Significance	93.243	N/A	256,593
Opioid STR	93.788	N/A	897,264
Total Department of Health and Human Services			2,117,646
Direct Grant:			
Demonstration Programs to Improve Community Mental Health Services	93.829	N/A	25,956
United States Department of Transportation			
Direct Grant:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	36,823
United States Department of Justice			
Direct Grant:			
Comprehensive Opioid, Stimulant, and Substance Abuse Program	16.838	N/A	138,157
Department of Education:			
Pass-Through:			
Virginia Department of Education:			
Special Education – Grants for Infants and Families	84.181	N/A	58,304
Total Expenditures of Federal Awards			$ 2,376,886

MOUNT ROGERS COMMUNITY SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2020

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Board under programs for the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Board.

Note B. Summary of Significant Accounting Policies

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Pass-through entity identifying numbers are presented where available.
3. The Board did not elect the 10% de minimus indirect cost rate.

Note C. Subrecipients

The Board did not have any subrecipients for the year ended June 30, 2020.

Note D. Outstanding Loan Balances

At June 30, 2020, the Board had no outstanding loan balances requiring continuing disclosure.

MOUNT ROGERS COMMUNITY SERVICES

SUMMARY OF COMPLIANCE MATTERS
June 30, 2020

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Board's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

MOUNT ROGERS COMMUNITY SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **one audit finding relating to the major program**.
7. The program tested as major was:

Opioid State Targeted Response	CFDA #	93.788

8. The threshold for distinguishing Type A and B programs was **$750,000**.
9. The Board was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

2020-001: Timeliness of Federal Program Reporting, CFDA # 93.788 – Opioid State Targeted Response

Condition:

The year end Federal Balance report for the Opioid STR was submitted 6 days past the due date of October 16, 2019.

Criteria:

The Board must submit the Federal Balance report timely as part of their grant requirements.

Cause:

The report is compiled based on financial data from the previous period. The financial closing through September 2019 was delayed in October 2019 and impacted the timeliness of complete information being available for reporting.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT (Continued)

Effect:

The report was not filed timely.

Recommendation:

In order to ensure that necessary financial reports can be filed timely, the monthly close should be completed in a more timely manner.

Views of Responsible Officials and Planned Corrective Actions:

Management understands the importance of meeting filing dates set by the Department of Behavioral Health and Developmental Services (DBHDS). The purpose of the Federal Balance Report is to enable DBHDS to return federal funds to the granting agency in a timely manner. Issues in closing the September accounting records delayed the preparation of the report. Management chose to delay the filing to ensure the accuracy of the report. The Agency strives to meet all reporting dates set by State and Federal Agencies.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.

MOUNT ROGERS COMMUNITY SERVICES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2020

A. COMMONWEALTH OF VIRGINIA FINDINGS

2019-001: Virginia Public Procurement Act (VPPA)

Condition:

The scope of a capital project was changed during the planning stages from a potential renovation to a full demolition and rebuild, resulting in significantly more costs than the original contract amount. Management reported regularly to the Board of Directors throughout the project, but did not obtain written advance approvals prior to the contract modifications.

Recommendation:

Management should revise the Agency's current written procurement procedures to clarify that scope changes in projects resulting in cost increments at threshold levels specified in the Agency's *Fiscal Management Operating Procedures* follow the requirements specified in the *Procedures* and align with VPPA requirements.

Current Status:

Finding was not repeated during the current year audit.