MOUNT ROGERS COMMUNITY SERVICES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

MOUNT ROGERS COMMUNITY SERVICES
Financial Statements
For the Year Ended June 30, 2024

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MOUNT ROGERS COMMUNITY SERVICES

DIRECTORY OF PRINCIPAL OFFICIALS
For Year Ended June 30, 2024

Officers

Ms. Joanne Groseclose - Chairperson
Ms. Susie Jennings - Vice Chairperson
Ms. Susie Garner - Treasurer
Ms. Gerald Goad - Secretary

Board of Directors

Bland County	Carroll County
Ms. Kathy Havens	Ms. Mary Coulson
	Mr. Gerald Goad
	Ms. Sandy Worrell

City of Galax	Grayson County
Ms. Susie Garner	Ms. Kathy Cole
	Ms. Teena Bishop

Smyth County	Wythe County
Ms. Joanne Groseclose	Ms. Barbara Bartnik
Ms. Susie Jennings	Ms. Jo Viars
Ms. Kris Ratliff	Ms. Michelle Debord
Ms. Susan Sneed	

Officials

Sandy Bryant	Executive Director
Patty Belcher	Chief Financial Officer
Bob Gordon	Chief Human Resources Officer
Richie Pack	Chief Manufacturing Officer
KJ Holbrook	Chief Clinical Officer
Kathy Cressel	Director of Executive Office Operations
Wendy Gullion	Chief Residential Officer
Jason Hash	Director of Nursing
Kim Wells	Direction of Nurse Practitioners
Dr. Bobby Miglani	Chief Medical Officer
Samantha Crockett	Director of BH Prevention Wellness Services
Lakesha Mayes	Director of Grant Writing and Agency Advancement
Laura Davis	Chief Continuous Quality Improvement Officer
Logan Nester	Director of Communications and Public Relations

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Mount Rogers Community Services, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Mount Rogers Community Services, as of June 30, 2024, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mount Rogers Community Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mount Rogers Community Services' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2025, on our consideration of Mount Rogers Community Services'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 Mount Rogers Community Services'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 Mount Rogers Community Services' internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
March 24, 2025

Mount Rogers Community Services

Statement of Net Position

As of June 30, 2024

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	32,074,448
Accounts receivable (net of allowance for doubtful accounts)		13,956,374
Other receivables		15,067
Due from other governments		1,976,506
Prepaid expenses		626,863
Inventories		967,097
Security deposits		12,169
Total current assets	$	49,628,524
NONCURRENT ASSETS		
Restricted assets:		
Cash and cash equivalents - restricted	$	38,174
Deposits and funded reserves		18,614
Restricted assets - held in trust		164,692
Total restricted assets	$	221,480
Capital assets:		
Capital assets, not being depreciated	$	2,709,891
Capital assets, net of accumlated depreciation/amortization		25,498,928
Total capital assets	$	28,208,819
Total noncurrent assets	$	28,430,299
Total assets	$	78,058,823
DEFERRED OUTFLOWS OF RESOURCES		
Items related to net pension liability	$	2,695,988
Items related to net OPEB liability		389,728
Total deferred outflows of resources	$	3,085,716
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$	1,932,382
Accrued liabilities		52,016
Unearned revenues		16,467,266
Accrued interest payable		4,105
Accrued payroll		1,679,187
Security deposits		6,233
Subscription liabilities, current portion		66,783
Lease liabilities, current portion		97,566
Long-term debt, current portion		72,454
Compensated absences, current portion		1,732,576
Total current liabilities	$	22,110,568
LONG-TERM LIABILITIES		
Compensated absences, net of current portion	$	577,525
Subscription liabilities, net of current portion		126,653
Lease liabilities, net of current portion		65,392
Long-term debt, net of current portion		2,539,191
Net pension liability		245,199
Net OPEB liability		1,435,938
Total long-term liabilities	$	4,989,898
OTHER LIABILITIES		
Funds held in trust	$	164,692
Total liabilities	$	27,265,158
DEFERRED INFLOWS OF RESOURCES		
Items related to net pension liability	$	2,027,546
Items related to net OPEB liability		260,294
Total deferred inflows of resources	$	2,287,840
NET POSITION		
Net investment in capital assets	$	25,240,780
Restricted		56,788
Unrestricted		26,293,973
Total net position	$	51,591,541

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

Mount Rogers Community Services

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2024

OPERATING REVENUES		
Third-party fees	$	37,948,261
Contract sales		16,015,120
Contributions		6,626
Rent		1,960
Other income		1,348,524
Total operating revenues	$	55,320,491
OPERATING EXPENSES		
Personnel	$	47,022,919
Staff Development		291,108
Facilities		2,617,937
Equipment/Supplies		6,650,531
Travel		587,238
Contract services		19,114,313
Miscellaneous		816,181
Depreciation		1,572,152
Amortization		224,398
Total operating expenses	$	78,896,777
Operating income (loss)	$	(23,576,286)
NONOPERATING REVENUE (EXPENSE)		
Interest income	$	407,731
Interest expense		(69,179)
Gain on sale of property and investments		31,800
Loss on disposal		(74,427)
Intergovernmental revenues:		
Commonwealth of Virginia		21,481,848
Federal government		6,350,325
Local governments		646,955
Total nonoperating revenue (expense)	$	28,775,053
Change in net position	$	5,198,767
Net position, beginning of year		46,392,774
Net position, end of year	$	51,591,541

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

Mount Rogers Community Services

Statement of Cash Flows
Year Ended June 30, 2024

OPERATING ACTIVITIES	
Receipts from individuals served and users	$ 46,856,496
Cash paid to suppliers for goods and services	(30,171,197)
Cash paid to employees and for benefits	(48,469,903)
Cash flows provided by (used for) operating activities	$ (31,784,604)
NONCAPITAL FINANCING ACTIVITIES	
Government grants	$ 30,387,323
CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	$ (3,364,675)
Proceeds from sale of assets	31,800
Net security deposits paid	15,135
Withdrawals from reserve accounts	(994)
Principal payments on long-term debt	(70,931)
Principal payments on lease liabilities	(125,217)
Principal payments on subscription liabilities	(97,445)
Principal payments on lease receivable	5,945
Loan proceeds released by lender	9,934
Payments for interest	(69,291)
Cash flows provided by (used for) capital and related financing activities	$ (3,665,739)
INVESTING ACTIVITIES	
Investment income	$ 402,279
Net increase (decrease) in cash and cash equivalents	$ (4,660,741)
Cash and cash equivalents, beginning of year	36,773,363
Cash and cash equivalents, end of year	$ 32,112,622
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and cash equivalents	$ 32,074,448
Cash and cash equivalents, restricted	38,174
Total per statement of net position	$ 32,112,622
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating income (loss)	$ (23,576,286)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation and amortization	1,796,550
Changes in operating assets, liabilities, and deferred outflows/inflows of resources:	
(Increase)/decrease in:	
Accounts receivable	(8,765,445)
Other receivables	(8,137)
Prepaid expenses	67,623
Inventories	(67,793)
Deferred outflows of resources, pension and OPEB related	312,790
Increase/(decrease) in:	
Accounts payable	133,382
Accrued liabilities	47,806
Accrued payroll and compensated absences	164,894
Net pension and OPEB liability	(885,817)
Deferred inflows of resources, pension and OPEB related	(1,004,171)
Cash flows provided by (used for) operating activities	$ (31,784,604)

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

NOTE 1 - Summary of Significant Accounting Policies

A. Description on Purpose of Organization:

The Mount Rogers Community Services Board (Board) is a local government agency established under Chapter 5 of Title 37.2 of the Code of Virginia to implement and operate community mental health, mental retardation, and substance abuse programs in the Virginia counties of Bland, Carroll, Grayson, Smyth, and Wythe, and the City of Galax. 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, intellectual 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:

Governmental Accounting Standards Board statements provide 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, the statements require 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. (Carroll House) holds title to certain real property on behalf of the Board. The Board can impose its will on the organization since the Carroll House 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. Separately issued financial statements can be obtained from Mount Rogers Community Services, Inc.

2. Mount Rogers Community Services Board 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.

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 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.

NOTE 1 - Summary of Significant Accounting Policies: (continued)

D. Net Position

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

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

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

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

Sometimes 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

E. 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.

F. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, lease, and subscription assets. Capital assets are defined by the Board as assets with an initial, individual cost of more than $5,000.

As the Board acquires capital assets each period, they are capitalized and reported at historical cost (except for intangible right-to-use lease and subscription assets, the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

NOTE 1 - Summary of Significant Accounting Policies: (continued)

F. Capital Assets (continued)

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, subscription assets, and infrastructure of the Board are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings	40 years
Land improvements	15 years
Equipment and vehicles	3 to 5 years
Lease buildings	3 to 5 years
Subscription asset	3 to 5 years

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

H. 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.

I. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, Mount Rogers Community Services Board 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.

J. 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.

NOTE 1 - Summary of Significant Accounting Policies: (continued)

J. Financial Assistance and Allowance for Uncollectible Accounts (continued)

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 $2,040,852 for 2024.

K. Income Taxes

As a political subdivision of the Commonwealth of Virginia, the Community Services Board is exempt from federal and state income taxes.

L. Advertising

Advertising costs are charged to operations when incurred.

M. 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 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 Virginia Association of Counties 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.

NOTE 1 - Summary of Significant Accounting Policies: (continued)

N. 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.

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.

O. 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.

NOTE 1 - Summary of Significant Accounting Policies: (continued)

P. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one type of item that qualifies for reporting in this category. Certain items related to pension and OPEB are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Q. 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.

R. Other Postemployment Employee Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

NOTE 1 - Summary of Significant Accounting Policies: (continued)

T. Leases and Subscription-Based IT Arrangements

The Board has various lease assets and subscription-based IT arrangements (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

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

Lessee
The Board recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of $5,000, individually or in the aggregate. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Subscriptions
The Board recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of $5,000, individually or in the aggregate. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

NOTE 1 - Summary of Significant Accounting Policies: (continued)

T. Leases and Subscription-Based IT Arrangements (continued)

Key estimates and Judgments
Lease and subscription-based IT arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease and subscription payments to present value, (2) lease and subscription term, and (3) lease and subscription payments.

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

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

NOTE 2 - Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard & Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

NOTE 2 - Deposits and Investments: (continued)

Investments: (continued)

The Board's rated debt investments as of June 30, 2024 were rated by Standard & Poor's and the ratings are presented using the Standard & Poor's rating scale.

	Rating	
Rated Investment Type	**AAAm**	**Total**
VIP Stable NAV Liquidity Fund	$ 18,614	$ 18,614

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 represent 5 percent of total investments, there must be a disclosure for the amount and issuer. Investments issued or explicitly guaranteed by the US 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.

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

Investment Type	**Fair Value**	**< 1 year**
VIP Stable NAV Liquidity Fund	$ 18,614	$ 18,614

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 County has measured fair value of the above VML/VACO Pool investments at the net asset value (NAV).

Redemption Restrictions:

VML/VACO Virginia Investment Pool allows the Board to have the option to have access to withdraw funds twice a month, with a five-day period notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources, one-time outlays (disasters, immediate capital needs, statement budget cuts, etc.).

NOTE 3 - Capital Assets:

A summary of capital assets is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets:				
Land	$ 1,726,840	$ 321,710	$ -	$ 2,048,550
Construction in progress	2,697,550	797,824	(2,834,033)	661,341
Total non-depreciable assets	$ 4,424,390	$ 1,119,534	$ (2,834,033)	$ 2,709,891
Depreciable assets:				
Buildings and improvements	$ 31,033,314	$ 4,215,660	$ -	$ 35,248,974
Land improvements	46,550	-	-	46,550
Furnishings and equipment	6,626,585	789,087	(452,128)	6,963,544
Lease buildings and improvements	641,629	-	(205,412)	436,217
Subscription assets	400,142	-	-	400,142
Total depreciable assets	$ 38,748,220	$ 5,004,747	$ (657,540)	$ 43,095,427
Accumulated depreciation/amortization:				
Buildings and improvements	$ (10,245,938)	$ (1,095,036)	$ -	$ (11,340,974)
Land improvements	(31,330)	(2,773)	-	(34,103)
Furnishings and equipment	(5,732,840)	(474,343)	452,128	(5,755,055)
Lease buildings and improvements	(362,378)	(123,045)	205,412	(280,011)
Subscription assets	(85,003)	(101,353)	-	(186,356)
Total accumulated depreciation/amortization	$ (16,457,489)	$ (1,796,550)	$ 657,540	$ (17,596,499)
Net capital assets being depreciated	$ 22,290,731	$ 3,208,197	$ -	$ 25,498,928
Total capital assets	$ 26,715,121	$ 4,327,731	$ (2,834,033)	$ 28,208,819

NOTE 4 - Local Government Revenue:

The following are the local revenue receipts for the year ended June 30, 2024:

Bland County	$ 48,867
Carroll County	130,500
City of Galax	42,257
Grayson County	65,000
Smyth County	195,982
Wythe County	164,349
Total	$ 646,955

NOTE 5 - Long-term Obligations:

The following is a summary of long-term obligation transactions for the year ended June 30, 2024:

	Beginning Balances	Increases/ Issuances	Decreases/ Retirements	Ending Balances
Direct borrowings and direct placements:				
710 West Ridge Rd Note Payable	$ 2,682,576	$ -	$ (70,931)	$ 2,611,645
Lease liabilities	288,175	-	(125,217)	162,958
Subscription liabilities	290,881	-	(97,445)	193,436
Compensated absences	2,075,357	649,815	(415,071)	2,310,101
Net pension liability	1,109,877	6,355,073	(7,219,751)	245,199
Net OPEB liability	1,457,077	654,341	(675,480)	1,435,938
Total	$ 7,903,943	$ 7,659,229	$ (8,603,895)	$ 6,959,277

Details of the Board's long-term obligations at June 30, 2024 are as follows:

	Interest Rates	Issue Date	Maturity Date	Original Amount	Balance at 6/30/2024	Due Within One Year
Notes Payable from Direct Borrowings:						
710 West Ridge Rd RD Note (A)	2.13%	6/3/2021	2051	$ 2,820,000	$ 2,611,645	$ 72,454
Total Notes Payable from Direct Borrowings					$ 2,611,645	$ 72,454
Lease liabilities:						
Riverchase	2.00%	7/1/2021	2030	$ 88,282	$ 60,216	$ 9,684
TCCCC	2.00%	7/1/2021	2026	347,935	102,742	87,882
Total Lease liabilities					$ 162,958	$ 97,566
Subscription liabilities:						
Ahoy (3cX)	0.42%	9/22/2021	2025	$ 117,158	$ 6,545	$ 6,545
Relias	3.38%	10/1/2022	2027	315,410	186,891	60,238
Total Subscription liabilities					$ 193,436	$ 66,783
Other long-term obligations:						
Compensated absences	N/A	N/A	N/A	N/A	$ 2,310,101	$ 1,732,576
Net pension liability					245,199	-
Net OPEB liability					1,435,938	-
Total Other long-term obligations					$ 3,991,238	$ 1,732,576
Total long-term obligations					$ 6,959,277	$ 1,969,379

(A) 10% of monthly payments reserved until a year's worth of payments accumulated

NOTE 5 - Long-term Obligations: (continued)

The following is a summary of principal and interest payment requirements to amortize long-term debt:

Year Ended	Direct Borrowings - Notes Payable		Lease Liabilities		Subscription Liabilities	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 72,454	$ 54,795	$ 97,566	$ 2,370	$ 66,783	$ 6,317
2026	74,008	53,240	24,740	958	62,274	4,281
2027	75,596	51,652	10,079	721	64,379	2,176
2028	77,218	50,030	10,282	518	-	-
2029	78,875	48,373	10,490	310	-	-
2030-2034	420,504	215,736	9,801	98	-	-
2035-2039	467,597	168,643	-	-	-	-
2040-2044	519,966	116,274	-	-	-	-
2045-2049	578,201	58,039	-	-	-	-
2050-2051	247,226	5,457	-	-	-	-
Total	$ 2,611,645	$ 822,239	$ 162,958	$ 4,975	$ 193,436	$ 12,774

NOTE 6 – 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 10.625 hours per month. For employee service greater than five years but less than ten years time is earned at a rate of 14.375 hours per month. After ten years, annual leave is earned by the employee at a rate of 16.375 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 14.38 hours per month. After ten years, time will accrue at a rate of 16.25 hours per month. Accumulation of PTO time is limited to 75 hours for the first five years of employment, 86.5 hours for the sixth through the tenth year, and 98 hours for eleven years and beyond. PTO time is accrued up to 21 days and is paid upon termination or retirement.

The Board has outstanding accrued vacation pay that totals $640,943, sick leave accrual of $515,310 and PTO accrual of $1,153,848 as of June 30, 2024.

NOTE 7 – Surety Bond:

Mount Rogers Community Services Board maintains a surety bond insurance policy as part of its regular liability insurance. The insurance is maintained with Virginia Association of Counties (VaCorp) and the amount of coverage is $250,000.

NOTE 8 – Leases Receivable:

The following is a summary of leases receivable transactions of the Board for the year ended June 30, 2024:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Interest Revenue
Leases receivable	$ 5,945	$ -	$ (5,945)	$ -	$ 55

NOTE 9 – 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 incurrent 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.	$ 15,382,717
Money received from individuals and third-party insurance companies for services to be provided. If a third-party prepays 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 of services.	944,185
Moneys received in fundraising efforts to support the local match for the construction of a building.	139,168
Rent paid in advance	1,196
	$ 16,467,266

NOTE 10 – Contingent Liabilities:

Federal programs in which the Board 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 guidance all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of 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.

NOTE 11 – 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 assets – held in trust” and are also reflected as a liability titled “liability for funds held in trust.” These accounts totaled $164,692 on June 30, 2024.

NOTE 12 – Restricted Cash:

The Organization 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 $1,060 per month until the entire amount of $127,248 is accumulated and restricted. At June 30, 2024, $38,174 has been reflected as restricted cash for this purpose.

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NOTE 13 - Pension Plan:

Plan Description

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

Benefit Structures

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

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

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

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

Average Final Compensation and Service Retirement Multiplier

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

NOTE 13 - Pension Plan: (continued)

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

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

Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	131
Inactive members:	
Vested inactive members	127
Non-vested inactive members	181
Inactive members active elsewhere in VRS	76
Total inactive members	384
Active members	581
Total covered employees	1,096

Contributions

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

The Board's contractually required employer contribution rate for the year ended June 30, 2024 was 6.34% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were $2,029,567 and $1,786,842 for the years ended June 30, 2024 and June 30, 2023, respectively.

NOTE 13 - Pension Plan: (continued)

Net Pension Liability (Asset)

The net pension liability (asset) (NPLA) 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 PCS, the net pension asset was measured as of June 30, 2023. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Organization's Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

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

Mortality rates:

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

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

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

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

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

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

NOTE 13 - Pension Plan: (continued)

Actuarial Assumptions – General Employees (continued)

Mortality rates: (continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

NOTE 13 - Pension Plan: (continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.58%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		Expected arithmetic nominal return**	8.25%

*The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

NOTE 13 - Pension Plan: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Board was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	$ 59,277,283	$ 58,167,406	$ 1,109,877
Changes for the year:			
Service cost	$ 2,250,987	$ -	$ 2,250,987
Interest	4,067,402	-	4,067,402
Differences between expected and actual experience	(669,788)	-	(669,788)
Contributions - employer	-	1,502,481	(1,502,481)
Contributions - employee	-	1,258,879	(1,258,879)
Net investment income	-	3,787,064	(3,787,064)
Benefit payments, including refunds	(2,540,929)	(2,540,929)	-
Administrative expenses	-	(36,685)	36,685
Other changes	-	1,540	(1,540)
Net changes	$ 3,107,672	$ 3,972,350	$ (864,678)
Balances at June 30, 2023	$ 62,384,955	$ 62,139,756	$ 245,199

NOTE 13 - Pension Plan: (continued)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Board's Net Pension Liability (Asset)	$ 9,953,762	$ 245,199	$ (7,458,362)

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

For the year ended June 30, 2024, the Board recognized pension expense of $268,602. At June 30, 2024, the Organization 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	$ 127,757	$ 1,209,525
Change in assumptions	538,664	-
Net difference between projected and actual earnings on pension plan investments	-	818,021
Employer contributions subsequent to the measurement date	2,029,567	-
Total	$ 2,695,988	$ 2,027,546

$2,029,567 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as an increase to the Net Pension Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	
2025	$ (772,252)
2026	(1,297,328)
2027	679,359
2028	29,096

NOTE 13 - Pension Plan: (continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 14 - Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $9,254 as of June 30, 2024.

NOTE 14 - Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024, was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the Board were $171,363 and $151,216 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately $10.1 million to the Group Life Insurance Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution.

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

At June 30, 2024, the Board reported a liability of $1,435,938 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the Board's proportion was 0.11973% as compared to 0.12100% at June 30, 2022.

For the year ended June 30, 2024, the Board recognized GLI OPEB expense of $83,992. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTE 14 - Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

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

At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 143,415	$ 43,588
Net difference between projected and actual earnings on GLI OPEB plan investments	-	57,704
Change in assumptions	30,694	99,487
Changes in proportionate share	44,256	59,515
Employer contributions subsequent to the measurement date	171,363	-
Total	$ 389,728	$ 260,294

$171,363 reported as deferred outflows of resources related to the GLI OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2025	$ (3,593)
2026	(65,291)
2027	11,238
2028	4,206
2029	11,511

NOTE 14 - Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

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

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

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

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

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

NOTE 14 - Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	$ 3,907,052
Plan Fiduciary Net Position	2,707,739
GLI Net OPEB Liability (Asset)	$ 1,199,313
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%

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

NOTE 14 - Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		Expected arithmetic nominal return**	8.25%

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

NOTE 14 - Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2023, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Board's proportionate share of the GLI Plan Net OPEB Liability	$ 2,128,509	$ 1,435,938	$ 875,990

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 15 - Litigation:

At June 30, 2024 a whistleblower retaliation claim has been filed against the Board. The claim is early in the process and the potential impact is currently unknown; therefore, no amounts have been recognized in the financial statements.

NOTE 16 – Line of Credit:

The Board has a $10,000,000 revolving bank line of credit which bears interest at 8.50%. The line is payable on demand and has an annual renewal. The next renewal date is December 16, 2024. There was no activity during the year and there were no amounts outstanding on this line at June 30, 2024.

NOTE 17 – Upcoming Pronouncements:

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

Statement No. 102, *Certain Risk Disclosures,* provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements,* improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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

Mount Rogers Community Services

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates June 30, 2014 through June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	$ 2,250,987	$ 2,160,470	$ 2,255,644	$ 2,303,202	$ 2,150,030	$ 2,024,924	$ 2,060,627	$ 2,084,897	$ 2,052,217	$ 2,029,879
Interest	4,067,402	3,807,709	3,488,225	3,260,699	3,025,211	2,871,431	2,702,931	2,457,389	2,300,997	2,063,206
Differences between expected and actual experience	(669,788)	214,538	(1,808,017)	(185,569)	98,895	(1,063,379)	(249,800)	169,967	(1,120,054)	-
Changes of assumptions	-	-	876,964	-	1,618,742	-	(717,076)	-	-	-
Benefit payments	(2,540,929)	(2,310,928)	(2,169,454)	(1,845,695)	(1,761,367)	(1,510,880)	(1,268,175)	(1,140,872)	(857,080)	(535,063)
Net change in total pension liability	$ 3,107,672	$ 3,871,789	$ 2,643,362	$ 3,532,637	$ 5,131,511	$ 2,322,096	$ 2,528,507	$ 3,571,381	$ 2,376,080	$ 3,558,022
Total pension liability - beginning	59,277,283	55,405,494	52,762,132	49,229,495	44,097,984	41,775,888	39,247,381	35,676,000	33,299,920	29,741,898
Total pension liability - ending (a)	$ 62,384,955	$ 59,277,283	$ 55,405,494	$ 52,762,132	$ 49,229,495	$ 44,097,984	$ 41,775,888	$ 39,247,381	$ 35,676,000	$ 33,299,920
Plan fiduciary net position										
Contributions - employer	$ 1,502,481	$ 1,502,598	$ 1,388,387	$ 1,405,886	$ 1,379,442	$ 1,564,202	$ 1,496,594	$ 1,526,709	$ 1,534,637	$ 2,012,595
Contributions - employee	1,258,879	1,189,835	1,096,555	1,178,970	1,155,801	1,082,727	1,039,755	966,873	971,352	960,348
Net investment income	3,787,064	(90,554)	12,477,419	832,273	2,749,669	2,717,069	3,908,620	564,555	1,259,817	3,448,725
Benefit payments	(2,540,929)	(2,310,928)	(2,169,454)	(1,845,695)	(1,761,367)	(1,510,880)	(1,268,175)	(1,140,872)	(857,080)	(535,063)
Administrator charges	(36,685)	(35,515)	(29,850)	(27,491)	(25,512)	(22,128)	(20,897)	(17,332)	(15,399)	(16,211)
Other	1,540	1,367	1,188	(1,018)	(1,740)	(3,447)	(3,545)	(227)	(275)	182
Net change in plan fiduciary net position	$ 3,972,350	$ 256,803	$ 12,764,245	$ 1,542,925	$ 3,496,293	$ 3,827,543	$ 5,152,352	$ 1,899,706	$ 2,893,052	$ 5,870,576
Plan fiduciary net position - beginning	58,167,406	57,910,603	45,146,358	43,603,433	40,107,140	36,279,597	31,127,245	29,227,539	26,334,487	20,463,911
Plan fiduciary net position - ending (b)	$ 62,139,756	$ 58,167,406	$ 57,910,603	$ 45,146,358	$ 43,603,433	$ 40,107,140	$ 36,279,597	$ 31,127,245	$ 29,227,539	$ 26,334,487
Board's net pension liability (asset) - ending (a) - (b)	$ 245,199	$ 1,109,877	$ (2,505,109)	$ 7,615,774	$ 5,626,062	$ 3,990,844	$ 5,496,291	$ 8,120,136	$ 6,448,461	$ 6,965,433
Plan fiduciary net position as a percentage of the total pension liability	99.61%	98.13%	104.52%	85.57%	88.57%	90.95%	86.84%	79.31%	81.92%	79.08%
Covered payroll	$ 28,198,830	$ 26,303,612	$ 23,968,547	$ 25,494,860	$ 24,356,288	$ 22,603,742	$ 21,242,628	$ 19,674,596	$ 19,578,839	$ 19,099,555
Board's net pension liability (asset) as a percentage of covered payroll	0.87%	4.22%	-10.45%	29.87%	23.10%	17.66%	25.87%	41.27%	32.94%	36.47%

Mount Rogers Community Services

Schedule of Employer Contributions
Pension Plan
Years Ended June 30, 2015 through June 30, 2024

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	$ 2,029,567	$ 2,029,567	$ -	$ 32,011,905	6.34%
2023	1,786,842	1,786,842	-	28,198,830	6.34%
2022	1,730,673	1,730,673	-	26,303,612	6.58%
2021	1,577,268	1,577,268	-	23,968,547	6.58%
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%

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

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Mount Rogers Community Services

Schedule of Board's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates June 30, 2017 through June 30, 2023

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2023	0.11973%	$ 1,435,938	$ 28,202,043	5.09%	69.30%
2022	0.12100%	1,457,077	26,303,612	5.54%	67.21%
2021	0.19300%	1,388,859	23,968,547	5.79%	67.45%
2020	0.12500%	2,093,054	25,494,860	8.21%	52.64%
2019	0.12400%	2,021,000	24,356,288	8.30%	52.00%
2018	0.11800%	1,805,000	22,603,742	7.99%	51.22%
2017	0.11500%	1,733,000	21,242,628	8.16%	48.86%

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

Mount Rogers Community Services

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
Years Ended June 30, 2018 through June 30, 2024

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	$ 171,363	$ 171,363	$ -	$ 31,733,889	0.54%
2023	151,216	151,216	-	28,202,043	0.54%
2022	141,113	141,113	-	26,303,612	0.54%
2021	132,016	132,016	-	23,968,547	0.55%
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. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

Mount Rogers Community Services

Combining Statement of Net Position
As of June 30, 2024

	Mount Rogers Community Services	Regional Special Project Fiscal Agent	Mount Rogers Community Services, Inc.	Intercompany Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 22,108,151	$ 5,017,159	$ 4,949,138	$ -	$ 32,074,448
Accounts receivable (net of allowance for doubtful accounts)	13,956,374	-	-	-	13,956,374
Other receivables	15,067	-	-	-	15,067
Due from other governments	1,976,506	-	-	-	1,976,506
Prepaid expenses	626,863	-	-	-	626,863
Inventories	967,097	-	-	-	967,097
Security deposits	12,169	-	-	-	12,169
Amount due from component unit, current portion	1,151,468	-	-	(1,151,468)	-
Total current assets	$ 40,813,695	$ 5,017,159	$ 4,949,138	$ (1,151,468)	$ 49,628,524
NONCURRENT ASSETS					
Restricted assets:					
Cash restricted for debt reserve	$ -	$ -	$ 38,174	$ -	$ 38,174
Deposits and funded reserves	18,614	-	-	-	18,614
Restricted assets - held in trust	164,692	-	-	-	164,692
Total restricted assets	$ 183,306	$ -	$ 38,174	$ -	$ 221,480
Capital assets:					
Capital assets, not being depreciated	$ 1,212,422	$ -	$ 1,497,469	$ -	$ 2,709,891
Capital assets, net of accumlated depreciation/amortization	15,494,205	-	10,004,723	-	25,498,928
Total capital assets	$ 16,706,627	$ -	$ 11,502,192	$ -	$ 28,208,819
Total noncurrent assets	$ 16,889,933	$ -	$ 11,540,366	$ -	$ 28,430,299
Total assets	$ 57,703,628	$ 5,017,159	$ 16,489,504	$ (1,151,468)	$ 78,058,823
DEFERRED OUTFLOWS OF RESOURCES					
Items related to net pension liability	$ 2,695,988	$ -	$ -	$ -	$ 2,695,988
Items related to net OPEB liability	389,728	-	-	-	389,728
Total deferred outflows of resources	$ 3,085,716	$ -	$ -	$ -	$ 3,085,716
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	$ 1,929,567	$ -	$ 2,815	$ -	$ 1,932,382
Accrued liabilities	52,016	-	-	-	52,016
Unearned revenues	11,448,911	5,017,159	1,196	-	16,467,266
Accrued interest payable	-	-	4,105	-	4,105
Accrued payroll	1,679,187	-	-	-	1,679,187
Security deposits	-	-	6,233	-	6,233
Due to Mount Rogers Community Services	-	-	1,151,468	(1,151,468)	-
Subscription liabilities, current portion	66,783	-	-	-	66,783
Lease liabilities, current portion	97,566	-	-	-	97,566
Long-term debt, current portion	-	-	72,454	-	72,454
Compensated absences, current portion	1,732,576	-	-	-	1,732,576
Total current liabilities	$ 17,006,606	$ 5,017,159	$ 1,238,271	$ (1,151,468)	$ 22,110,568
LONG-TERM LIABILITIES					
Compensated absences, net of current portion	$ 577,525	$ -	$ -	$ -	$ 577,525
Subscription liabilities, net of current portion	126,653	-	-	-	126,653
Lease liabilities, net of current portion	65,392	-	-	-	65,392
Long-term debt, net of current portion	-	-	2,539,191	-	2,539,191
Net pension liability	245,199	-	-	-	245,199
Net OPEB liability	1,435,938	-	-	-	1,435,938
Total long-term liabilities	$ 2,450,707	$ -	$ 2,539,191	$ -	$ 4,989,898
OTHER LIABILITIES					
Funds held in trust	$ 164,692	$ -	$ -	$ -	$ 164,692
Total liabilities	$ 19,622,005	$ 5,017,159	$ 3,777,462	$ (1,151,468)	$ 27,265,158
DEFERRED INFLOWS OF RESOURCES					
Items related to net pension liability	$ 2,027,546	$ -	$ -	$ -	$ 2,027,546
Items related to net OPEB liability	260,294	-	-	-	260,294
Total deferred inflows of resources	$ 2,287,840	$ -	$ -	$ -	$ 2,287,840
NET POSITION					
Net investment in capital assets	$ 16,350,233	$ -	$ 7,739,079	$ 1,151,468	$ 25,240,780
Restricted for debt service	-	-	38,174	-	38,174
Restricted for unexpended grant and HUD funds	18,614	-	-	-	18,614
Unrestricted	22,510,652	-	4,934,789	(1,151,468)	26,293,973
Total net position	$ 38,879,499	$ -	$ 12,712,042	$ -	$ 51,591,541

Mount Rogers Community Services

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2024

	Mount Rogers Community Services	Regional Special Project Fiscal Agent	Mount Rogers Community Services, Inc.	Intercompany Eliminations	Total
OPERATING REVENUES					
Third-party fees	$ 37,948,261	$ -	$ -	$ -	$ 37,948,261
Contract sales	16,015,120	-	-	-	16,015,120
Contributions	6,626	-	-	-	6,626
Rent	-	-	311,547	(309,587)	1,960
Other income	1,298,733	-	49,791	-	1,348,524
Total operating revenues	$ 55,268,740	$ -	$ 361,338	$ (309,587)	$ 55,320,491
OPERATING EXPENSES					
Personnel	$ 46,818,130	$ 204,789	$ -	$ -	$ 47,022,919
Staff Development	287,275	3,833	-	-	291,108
Facilities	2,812,321	5,275	109,928	(309,587)	2,617,937
Equipment/Supplies	6,630,984	16,664	2,883	-	6,650,531
Travel	573,255	13,983	-	-	587,238
Contract services	16,191,295	2,923,018	-	-	19,114,313
Miscellaneous	802,251	81	13,849	-	816,181
Depreciation	1,140,006	-	432,146	-	1,572,152
Amortization	224,398	-	-	-	224,398
Total operating expenses	$ 75,479,915	$ 3,167,643	$ 558,806	$ (309,587)	$ 78,896,777
Operating income (loss)	$ (20,211,175)	$ (3,167,643)	$ (197,468)	$ -	$ (23,576,286)
NONOPERATING REVENUE (EXPENSE)					
Interest income	$ 407,731	$ -	$ -	$ -	$ 407,731
Interest expense	(12,974)	-	(56,205)	-	(69,179)
Transfers	(44,063)	44,063	-	-	-
Gain on sale of property and investments	31,800	-	-	-	31,800
Loss on disposal	-	-	(74,427)	-	(74,427)
Intergovernmental revenues:					
Commonwealth of Virginia	18,462,800	3,019,048	-	-	21,481,848
Federal government	6,245,793	104,532	-	-	6,350,325
Local governments	646,955	-	-	-	646,955
Total nonoperating revenue (expense)	$ 25,738,042	$ 3,167,643	$ (130,632)	$ -	$ 28,775,053
Change in net position	$ 5,526,867	$ -	$ (328,100)	$ -	$ 5,198,767
Net position, beginning of year	33,352,632	-	13,040,142	-	46,392,774
Net position, end of year	$ 38,879,499	$ -	$ 12,712,042	$ -	$ 51,591,541

Mount Rogers Community Services

Combining Statement of Cash Flows
Year Ended June 30, 2024

	Mount Rogers Community Services	Regional Special Project Fiscal Agent	Mount Rogers Community Services, Inc.	Total
OPERATING ACTIVITIES				
Receipts from individuals served and users	$ 46,495,158	$ -	$ 361,338	$ 46,856,496
Cash paid to suppliers for goods and services	(26,868,240)	(3,167,643)	(135,314)	(30,171,197)
Cash paid to employees and for benefits	(48,469,903)	-	-	(48,469,903)
Net cash provided by (used in) operating activities	$ (28,842,985)	$ (3,167,643)	$ 226,024	$ (31,784,604)
NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental revenues	$ 26,312,705	$ 4,073,422	$ 1,196	$ 30,387,323
CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	$ (1,282,640)	$ -	$ (2,082,035)	$ (3,364,675)
Proceeds from sale of assets	31,800	-	-	31,800
Net security deposits paid	138	-	14,997	15,135
Withdrawals from reserve accounts	(994)	-	-	(994)
Principal payments on long-term debt	-	-	(70,931)	(70,931)
Principal payments on lease liabilities	(125,217)	-	-	(125,217)
Principal payments on subscription liabilities	(97,445)	-	-	(97,445)
Principal payments on lease receivable	5,945	-	-	5,945
Loan funds released from lender	-	-	9,934	9,934
Primary government/component unit transfers (to) from	(44,063)	44,063	-	-
Payments to Mount Rogers Community Services	(700,054)	-	700,054	-
Payments for interest	(12,974)	-	(56,317)	(69,291)
Net cash used in capital and related financing activities	$ (2,225,504)	$ 44,063	$ (1,484,298)	$ (3,665,739)
INVESTING ACTIVITIES				
Investment income	$ 402,279	$ -	$ -	$ 402,279
Net increase (decrease) in cash and cash equivalents	(4,353,505)	949,842	(1,257,078)	(4,660,741)
Cash and cash equivalents, beginning of year	26,461,656	4,067,317	6,244,390	36,773,363
Cash and cash equivalents, end of year	$ 22,108,151	$ 5,017,159	$ 4,987,312	$ 32,112,622
RECONCILIATION TO STATEMENT OF NET POSITION				
Cash and cash equivalents	$ 22,108,151	$ 5,017,159	$ 4,949,138	$ 32,074,448
Cash and cash equivalents, restricted	-	-	38,174	38,174
Total per statement of net position	$ 22,108,151	$ 5,017,159	$ 4,987,312	$ 32,112,622
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	$ (20,211,175)	$ (3,167,643)	$ (197,468)	$ (23,576,286)
Adjustments to reconcile to operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	1,364,404	-	432,146	1,796,550
(Increase)/decrease in:				
Accounts receivables	(8,765,445)	-	-	(8,765,445)
Other receivables	(8,137)	-	-	(8,137)
Prepaid expenses	67,623	-	-	67,623
Inventories	(67,793)	-	-	(67,793)
Deferred outflows of resources, pension and OPEB related	312,790	-	-	312,790
Increase/(decrease) in:				
Accounts payable	142,036	-	(8,654)	133,382
Accured liabilities	47,806	-	-	47,806
Accrued payroll and compensated absences	164,894	-	-	164,894
Net pension and OPEB liability	(885,817)	-	-	(885,817)
Deferred inflows of resources, pension and OPEB related	(1,004,171)	-	-	(1,004,171)
Net cash provided by (used in) operating activities	$ (28,842,985)	$ (3,167,643)	$ 226,024	$ (31,784,604)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Mount Rogers Community Services, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Mount Rogers Community Services' basic financial statements and have issued our report thereon dated March 24, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
March 24, 2025

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

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mount Rogers Community Services' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mount Rogers Community Services' major federal programs for the year ended June 30, 2024. Mount Rogers Community Services' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mount Rogers Community Services complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mount Rogers Community Services' with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mount Rogers Community Services' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mount Rogers Community Services' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
March 24, 2025

Mount Rogers Community Services

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number		Total Federal Expenditures
Department of Health and Human Services:				
Direct payments:				
Certified Community Behavioral Health Clinic Expansion Grants	93.696	Not Applicable		$ 927,878
Pass-through payments:				
Virginia Department of Behavioral Health and Developmental Services:				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	5U79SP020791-05		698,927
Opioid STR	93.788	1H79TI085746-01		701,102
Block Grants for Community Mental Health Services (Pass-Through)	93.958	1B09SM085998-01	$ 1,079,400	
Block Grants for Community Mental Health Services (Direct)	93.958	Not Applicable	1,123,278	2,202,678
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1B08TI084676-01		1,027,218
Total Department of Health and Human Services				$ 5,557,803
Department of Treasury:				
Pass-through payments:				
Virginia Department of Behavioral Health and Developmental Services:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	Unknown		$ 686,750
Department of Education:				
Pass-through payments:				
Virginia Department of Education				
Special Education - Grants for Infants and Families	84.181	Unknown		$ 105,772
Total expenditures of federal awards				$ 6,350,325

Notes to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation:

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Mount Rogers Community Services under programs of the federal government for the year ended June 30, 2024. 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 Mount Rogers Community Services Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of Mount Rogers Community Services.

Note B - Summary of Significant Accounting Policies:

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

Note C - Subrecipients:

No awards were passed through to subrecipients.

Note D - Outstanding Loan Balances:

At June 30, 2024, the Board had no outstanding loan balances requiring continuing disclosure.

Note E - Reconciliation of Expenditures of Federal Awards to Financial Statements:

Federal revenue	$ 6,350,325
Total expenditures of Federal Awards	$ 6,350,325

Mount Rogers Community Services
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

Assistance Listing #	Name of Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Fund
93.696	Certified Community Behavioral Health Clinic Expansion Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Mount Rogers Community Services
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2024

There were no prior audit findings.