MOUNT ROGERS COMMUNITY SERVICES

FINANCIAL REPORT

June 30, 2021

CONTENTS

INTRODUCTORY SECTION

MOUNT ROGERS COMMUNITY SERVICES

DIRECTORY OF PRINCIPAL OFFICIALS
For Year Ended June 30, 2021

Officers

Ms. Mary Coulson – Chairperson

Ms. Joanne Groseclose – Vice Chairperson

Ms. Susan Sneed – Treasurer

Ms. Kathy Havens – Secretary

Board of Directors

Bland County
Ms. Kathy Havens

Carroll County
Ms. Mary Coulson
Mr. Gerald Goad
Ms. Sandy Worrell

City of Galax
Ms. Susie Garner

Grayson County
Ms. Kathy Cole
Mr. Thomas Revels

Smyth County
Ms. Joanne Groseclose
Ms. Susie Jennings
Ms. Kris Ratliff
Ms. Susan Sneed

Wythe County
Ms. Barbara Bartnik
Mr. Angeline Lloyd
Mr. Jamie Smith

Officials

Sandy Bryant .... Executive Director

Patty Belcher .... Chief Financial Officer

Bob Gordon .... Chief Human Resources Officer

Frank Dowell .... Chief Manufacturing Officer

KJ Holbrook .... Chief Clinical Officer

Kathy Cressel .... Director of Executive Office Operations

Wendy Gullion .... Chief Residential Officer

Kimberly Taylor .... Chief Nursing Officer

Dr. Bobby Miglani .... Chief Medical Officer

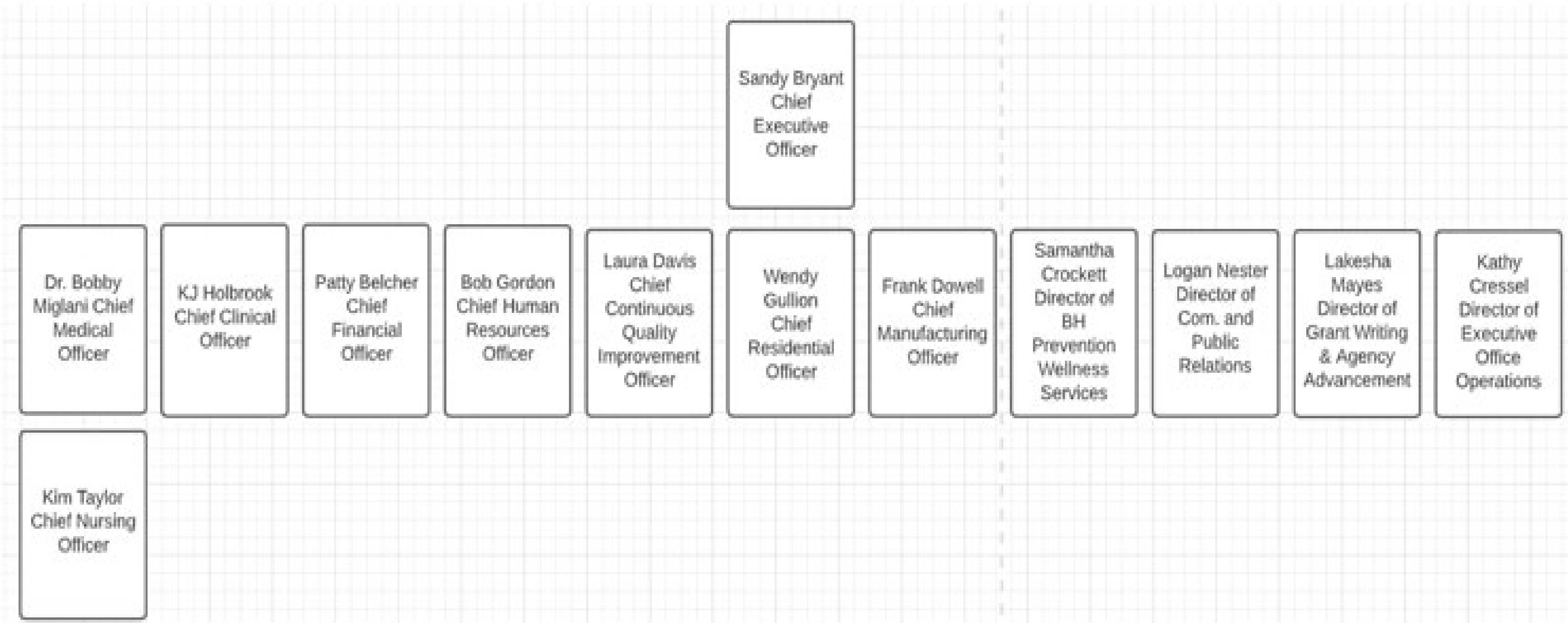
Samantha Crockett .... Director of BH Prevention Wellness Services

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

Laura Davis .... Chief Continuous Quality Improvement Officer

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

Mount Rogers
COMMUNITY SERVICES



FINANCIAL SECTION

The Financial Section contains the Basic Financial Statements.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Mount Rogers Community Services (the "Board"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Auditor's Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2021, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Board's 2020 financial statements, on which, in our report dated November 13, 2020, we expressed an unmodified opinion. The 2020 financial information is provided for comparative purposes only.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
January 28, 2022

As management of the Mount Rogers Community Services (Agency), we offer readers of the financial statements this Management's Discussion and Analysis (MD&A)—a narrative overview and analysis of the Agency's financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements.

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

Mission Statement and Organization

Mount Rogers Community Services is dedicated to improving the quality of life for people with mental, physical and substance use intervention needs. The Agency is committed to respecting people's rights to live in their home communities by promoting hope for the future and providing services and supports that promote self-determination, empowerment, recovery, resilience, health, and the highest possible level of individual participation in all aspects of community life, including work, school, family, and other meaningful relationships. The Agency provides services to the residents of Bland, Carroll, Grayson, Smyth and Wythe counties and the City of Galax. The Agency has approximately thirty-two (32) service sites and maintains a service presence in approximately forty-three (43) schools throughout the catchment area.

Overview of Financial Statements

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

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

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

Basic Financial Statements

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

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

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

The Statement of Revenues, Expenses and Changes in Fund Net Position presents the operating results of the Agency for the fiscal year ended June 30, 2021, with comparative operating performance for the fiscal year ended June 30, 2020. This statement shows how the Agency performed in the given fiscal years (July 1 to June 30), giving the reader a general breakdown of operations by the main sources of income and the main spending categories. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Changes in net position (increases and decreases) represent one metric by which to measure the financial health of the Agency and identify whether its financial position is improving or deteriorating.

A third statement, the Statement of Cash Flows, identifies how cash and other financial assets (that can readily be converted to cash) flow in and out of the Agency. The Statement of Cash Flows, when taken together with the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, provide the reader a complete snapshot of the financial condition of the Agency as of June 30, 2021, with a comparison to June 30, 2020.

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

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

Component Units

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

The first component unit included as part of these financial statements is Mount Rogers Community Services, Inc., (MRCSI) a non-profit corporation established in the late 1970's as a financing requirement with the Virginia Housing Development Authority. The debt has been satisfied and the corporation ended its contract with the U.S. Department of Housing and Urban Development (HUD) for Section 8 housing in March 2021. The corporation also acts as a conduit for fundraising by using its 501(c)(3) status from the Internal Revenue Service to solicit donations that will be tax-deductible for the donor. During the current year, the corporation began to purchase and hold interests in real estate. This real estate is rented to Mount Rogers Community Services for operations of programs. Any loans for the procurement of property are held by the Corporation. A separate financial statement is prepared for this component unit.

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

Fiscal Agent Activities

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

The SWVAB receives funding from the State and Federal Governments to administer programs for the Region. The SWVAB received $450,000 in State Mental Health Acute Care Funds, $100,000 in Mental Health Recovery Funds and $3,728,758 in Mental Health Regional Discharge Assistance Program funds. In addition, the SWVAB received $75,000 in Federal Mental Health Block Grant Funds.

COVID-19

In March 2020, the World Health Organization characterized a strain of coronavirus, known as COVID-19, as a pandemic. Concerns related to the spread of COVID-19 and the related containment measures intended to mitigate the spread created substantial changes to business operations for the economy. This pandemic continued into the current fiscal year and in December, the Food and Drug Administration granted an Emergency Use Authorization for three drug vaccines, Pfizer, Moderna, and Johnson and Johnson, to help combat the spread of the virus.

One of the main priorities of the Agency continues to be the health and safety of employees and the individuals served. The Agency adopted procedures to mandate the wearing of personal protective equipment, hand sanitizing and maintaining social distancing to help minimize the spread of the virus. The Agency also developed infectious disease preparedness and response plans, trainings and recordkeeping and communications in the workplace. The Agency encouraged staff to become vaccinated but did not mandate the vaccine. To encourage staff to become vaccinated the Agency offered an incentive payment to staff up to $100. The Agency continues to monitor federal and state requirements on COVID-19 and adapt policies and procedures as deemed necessary.

Financial Analysis

As noted earlier, net position may serve as a useful indicator of the Agency's financial position. At the close of the current fiscal year, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by $31,301,043. This amount of net position is a good indicator that the Agency's financial position is stable. The Agency's overall net position increased $5,198,332 from the prior fiscal year. This increase represents the amount of net revenue over net expenses, otherwise called the change in net position.

A large portion of the Agency's net position (49.37%) reflects its investment in capital assets, which includes land, buildings, machinery, equipment, and vehicles, less any related outstanding debt that was used to acquire those assets and net of related accumulated depreciation. The Agency uses these capital assets primarily to provide services to its participating localities; consequently, these assets are not available for future spending. Although the Agency's investment in capital assets is reported net of related debt, the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Agency's net position (.9%) or $292,867 represents resources that are subject to external restrictions as to how they may be used. The remaining balance of $15,554,843 is unrestricted and may be used to meet the Agency's ongoing obligations to its citizens and creditors.

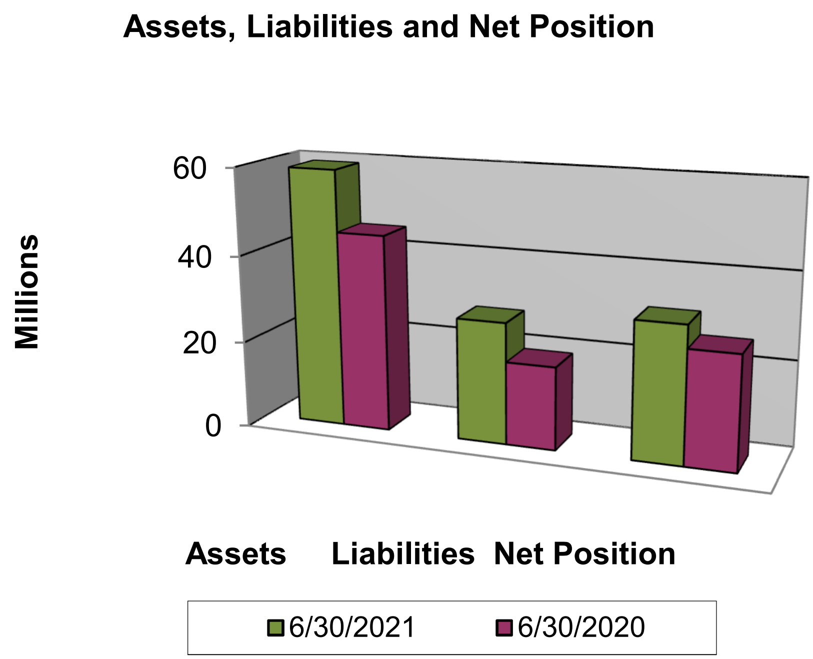
At the end of the current fiscal year, the Agency was able to report positive balances in all reported categories of net position. The same situation held true for the prior fiscal year.

The following table reflects the condensed Statements of Net Position:

Summary of Statements of Net Position

	June 30, 2021	June 30, 2020
Current and other assets	$ 32,638,574	$ 22,889,431
Capital assets	21,874,568	18,634,131
Total deferred outflows of resources	4,705,798	3,641,121
Total assets and deferred outflows	$ 59,218,940	$ 45,164,683
Current liabilities	$ 9,116,885	$ 3,693,320
Long-term liabilities	17,468,306	13,261,842
Deferred inflows of resources	1,332,706	2,106,810
Total liabilities and deferred inflows	$ 27,917,897	$ 19,061,972
Net Position:		
Net investment in capital assets	$ 15,453,333	$ 14,755,125
Restricted	292,867	121,984
Unrestricted	15,554,843	11,225,602
Total net position	$ 31,301,043	$ 26,102,711
Total liabilities, deferred inflows of Resources and net position	$ 59,218,940	$ 45,164,683

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



Cash and cash equivalents make up 81% of the current assets on the Statement of Net Position. The value of unrestricted cash and cash equivalents increased 58% or $9,632,464 over the prior fiscal year's amount. The increase in cash is directly related to the positive change in net position for the FY 2021 and the amount of additional state and federal monies received during FY 2021. At the end of the current year, there were several one-time funds received by the Agency. Many of these funds were unspent at year end and are reflected in cash and deferred revenues.

Management has an ongoing goal to have twelve weeks of cash reserve balances at any time. This goal is monitored weekly by calculating the weeks of reserve for restricted and unrestricted cash. Accordingly, Management monitors weekly productivity of staff. Budgets were monitored closely to ensure billing is maintained.

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

Third party receivables for billed services are due from individuals served, Medicare, Medicaid, insurance companies, and other governmental agencies. The amount owed to the Agency in connection with service receivables at the end of the current fiscal year is $3,930,003 as compared to the prior year's amount of $4,799,734. The allowance for doubtful accounts decreased from $1,320,803 at the end of FY 2020 to $1,051,126 in FY 2021. Therefore, the net service receivables decreased by $600,054 or 17%.

The contract sales receivable balance reflected a decrease of $28,758. Total receivables for IDC increased from $782,727 at the end of FY 2020 to $815,035 in FY 2021. The allowance for doubtful accounts was $87,366 in FY 2020 compared to $148,432 in FY 2021. The allowance for doubtful accounts remains low for contract sales receivables because the Industrial Developmental Centers (IDCs) are very diligent in their collection process to ensure amounts are collected.

Agency inventories relate to IDC programs and technology inventory. Inventories related to the IDC programs involve contracts with government and corporate customers, which provide opportunities for the individuals the Agency serves to have employment. The IDC purchases raw materials in anticipation of these contracts. The Agency had some of these materials on hand at the end of both FY 2020 and FY 2021, reflected as inventory on the balance sheet. This inventory varies relative to the customer orders that the IDC has at any given time. Inventory increased by $153,532, from $1,005,630 at the end of FY 2020 to $1,159,162 in FY 2021.

Technology inventory consists of items kept on hand to distribute to new or existing staff to complete their job tasks. Inventory items include computers, printers, cables, keyboards, and various other items. Technology inventory increased $8,449 over the prior year, from $17,156 in FY 2020 to $25,605 in FY 2021.

Other receivables are amounts due from federal, state, or private grants for expenditures made on a reimbursable basis. This asset increased by $319,148 from $246,163 in FY 2020 to $565,311 in FY 2021. The increase in this account is primarily due from reimbursable amounts due to the Agency on a federal Substance Abuse and Mental Health Services Administration (SAMHSA) grant.

The Agency separates current assets that are restricted from those that are not. Restricted cash and cash equivalents and deposits and funded reserves relate to some of the Agency's outstanding debt. Restricted cash in the amount of $60,588 was required by a note with Rural Development, which stipulates one years' worth of principal and interest payments be set aside and restricted. This amount was set aside in the prior year. The Agency satisfied the debt in the current year and the requirement was released.

Signature Public Funding Corporation (SPFC) requires a principal payment in February of each year and interest payments twice a year in February and August. An amount of $61,396 was set aside as of June 30, 2020, and an amount of $637 was set aside as of June 30, 2021 to meet the interest payment required in August.

The restricted assets held in trust of $292,230 have an off-setting liability account, liability for funds held in trust. These funds are those for which the Agency has a fiduciary responsibility to individuals for whom we serve as payee agent. The Agency serves a total of approximately 111 individuals in this capacity.

Accounts payable increased by $314,574 or 27% from $1,259,225 in FY 2020 to $1,593,570 in FY 2021. Accounts payable represents the Agency's obligation to pay off a debt to its vendors for purchases of goods or services on credit. This account varies depending on the timing of the payments to vendors but is considered a short-term debt.

Compensated absences in FY 2021 were $2,106,726, which is a $252,904 or 14% increase from the FY 2020 balance of $1,853,822. Compensated absences are absences from work for which employees will be paid. Employees usually receive full compensation for this time off and it arises from time accrued for annual, sick, and other paid time off (PTO). Employees earn time based upon their hire date and the length of service the employee has with the Agency. For an employee who earns sick time, the accumulation of sick time is unlimited during continued employment. Upon separation from employment, employees may receive a one-time cash payout for up to 25% of the unused sick leave and a maximum dollar amount based upon the employee's years of service. Annual and PTO time for an employee who is still employed. can be carried over from one calendar year to the next, but the hours are capped based upon the employee's length of service. When an employee separates from service, the maximum payout from accrued time is set at 157.5 hours. During the prior and current year, because of COVID-19 and employees being unable to take accrued time, employees were allowed to carry-over their entire accrual (uncapped) to the next year.

Unearned revenues increased from $2,007,529 in FY 2020 to $6,270,222 in FY 2021. An increase of 212% from last year. Unearned revenues represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met—e.g., for restricted funds received in advance where expenditures are made at a later date. The majority of unearned revenue is monies received from state and federal agencies for restricted purposes, which have not yet been spent. At the end of FY 2021, the Agency received several large grants where the funds were transferred to the Agency. Many of these grants were targeted to be spent in the next fiscal year or years. In the table below the breakdown of these grants is detailed. The remainder of the increase in unearned revenues in FY 2021 was comprised of prepaid fees for services insurance billing, Twin County Drug Court participant fees, and Wounded Warrior contributions.

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

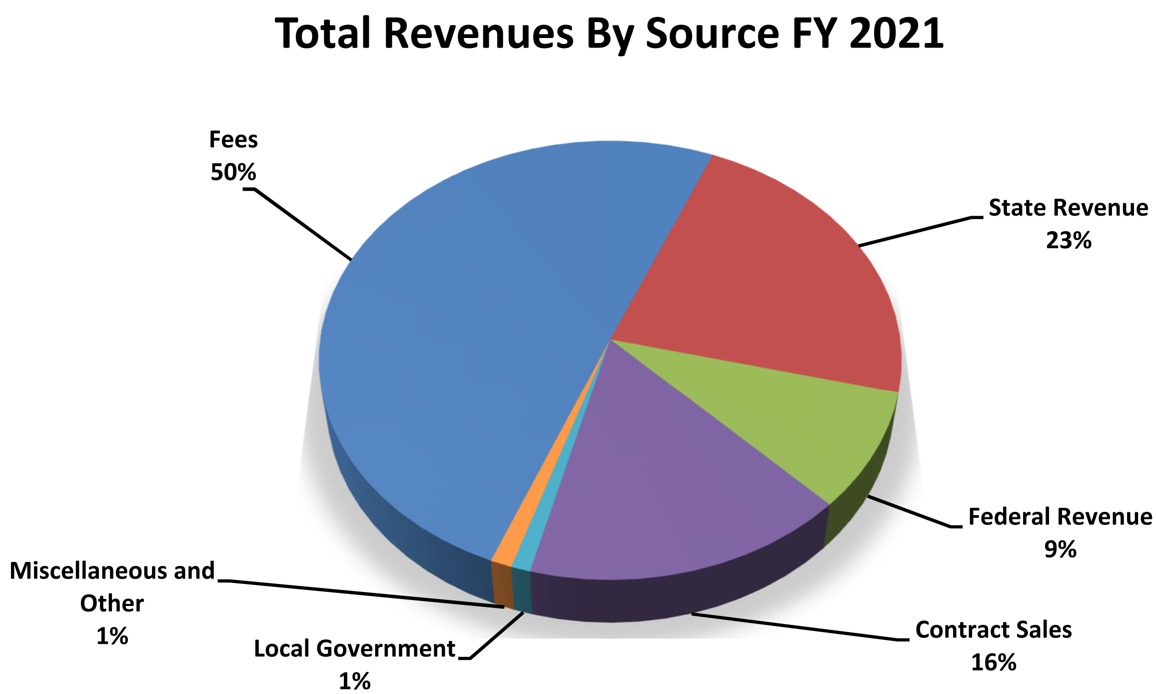
Program	2021	2020
Family Initiative Funds	$ 164,482	$ 121,983
Local Inpatient Purchase of Service (LIPOS)	115,910	524,408
Discharge Assistance Program (DAP)	1,327,480	156,613
Regional Alternative Transportation	4,796	4,796
Regional Geriatric Liaison	1,068,419	-
Medical Detox	25,782	-
Early Impact Virginia Funds	-	2,530
Regional Liaison	162,664	119,175
Regional Transportation	28,481	49,550
SA Prevention Funds	65,000	62,503
DBHDS Craft Training Funds	-	67,655
State Opioid Response Funding	428,958	395,466
Jail Diversion	246,592	188,860
SAMSHA Emergency COVID-19 Grant	44,699	-
DS Services Program Enhancement Grant	17,036	-
PATH Expansion	1,300,000	-
Y-SAT Program Funds	40,699	-
SPQM	-	17,451
CIT Grant	80,715	38,040
CIT Training Grant	23,464	23,464
Transition Programs (Additional DAP Funds)	724,343	-
OBRA Funding	41,044	-
Mental Health Block Grant (Advertising)	7,500	71,348
Permanent Supportive Housing	291,158	155,755
Total	$ 6,209,222	$ 1,999,597

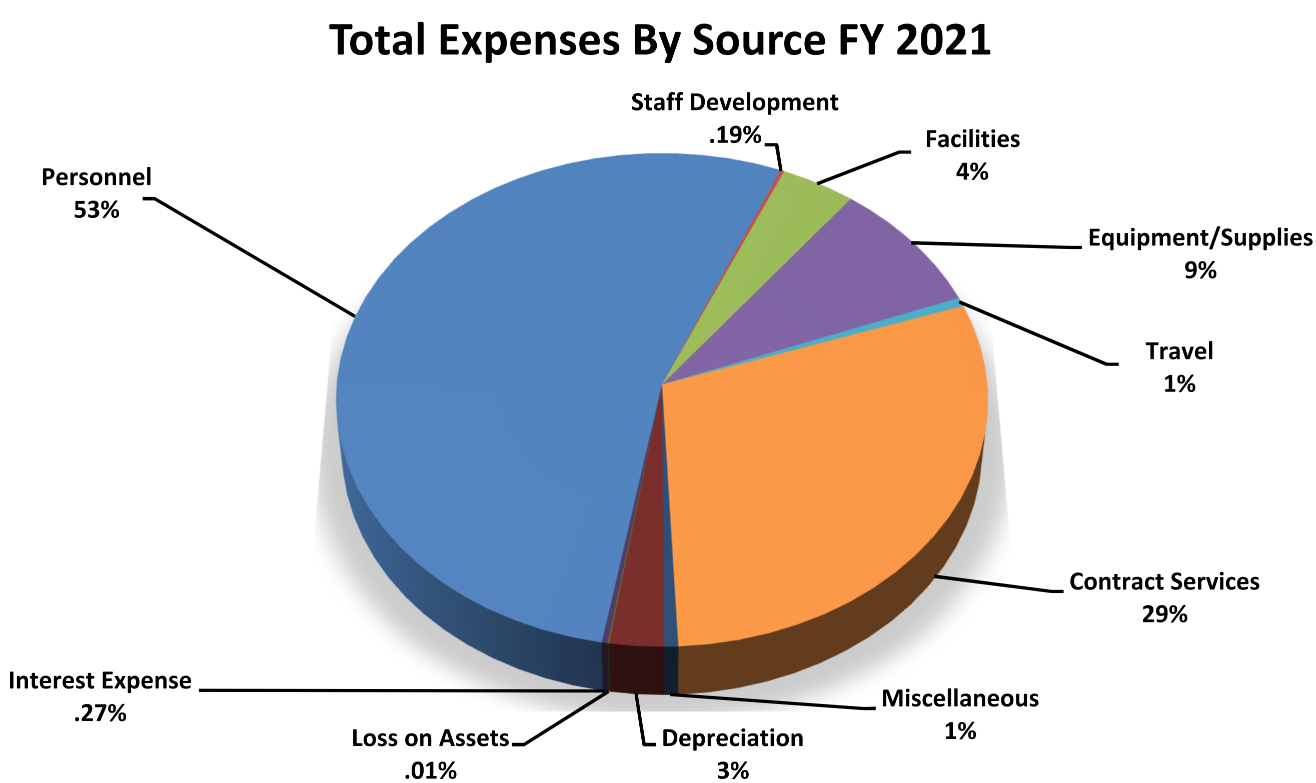
The Agency's net position at the end of FY 2021 shows a balance of $31,301,043 an increase of $5,198,332 over last year's balance of $26,102,711. This is approximately a 20% increase from last year. This increase was directly related to the positive change in net position of $5,198,332 which is reflected on the Statement of Revenues, Expenses and Changes in Fund Net Position.

The following table reflects the condensed revenues and expenses of the Agency for FY 2021 and FY 2020:

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

	Year Ended June 30, 2021	Year Ended June 30, 2020	Increase (Decrease)
Revenues:			
Operating Revenues:			
Fees	$ 31,407,817	$ 35,035,235	(10.35)%
Contract Sales	10,323,719	11,896,604	(13.22)%
Contributions/Other Local	45,466	93,361	(51.30)%
Miscellaneous	485,440	377,525	28.58%
Housing Payments	8,226	12,520	(30.30)%
Non-operating Revenue:			
State Funding	14,123,773	14,455,304	(2.29)%
Federal Funding	5,445,162	2,487,352	118.91%
Local Governments	614,531	577,937	6.33%
Interest Income	144,060	118,837	21.22%
Gain on Disposal of Assets	-	41,612	(100)%
Total Revenues	$62,598,194	$ 65,096,287	(3.84)%
Expenses:			
Operating Expenses			
Personnel	30,727,354	32,230,836	(4.66)%
Staff Development	113,810	74,573	52.62%
Facilities	2,253,559	2,009,055	12.17%
Equipment/Supplies	4,997,231	6,395,327	(21.86)%
Travel	331,209	649,744	(49.02)%
Contract Services	16,952,369	15,769,998	7.50%
Miscellaneous	371,322	360,475	3.01%
Depreciation	1,459,050	1,601,861	(8.92)%
Non-operating Expenses			
Interest Expense	159,669	178,984	(10.79)%
Loss on Disposal of Assets	34,289	-	N/A%
Total Expenses	$ 57,399,862	$ 59,270,853	3.16%
Change in Net Position	$ 5,198,332	$ 5,825,434	(10.76)%


Total Revenues By Source FY 2021
Fees
50%
State Revenue
23%
Federal Revenue
9%
Contract Sales
16%
Local Government
1%
Miscellaneous and
Other
1%


Total Expenses By Source FY 2021
Staff Development
.19%
Facilities
4%
Personnel
53%
Equipment/Supplies
9%
Travel
1%
Contract Services
29%
Interest Expense
.27%
Miscellaneous
1%
Loss on Assets
.01%
Depreciation
3%

FY 2021 reflects a significant reduction in third party fees as compared to FY 2020. The sources of fee revenues include fees for services to individuals, whether directly billed to individuals receiving services, or billed to Medicaid, Medicare or other private and governmental insurance companies. Fees also include revenues for services provided to other local agencies on a contractual basis. Fee revenues reflect a decrease of $3,627,418, or 10.35%, compared to FY 2020. With the onset of COVID-19, the Agency moved to provide services by telehealth if face to face services could not be safely provided due to social distancing restrictions. The regulations of Medicaid allowed the Agency to provide and collect for a service by telehealth that was formerly only provided and collected via a face-to-face encounter. Telehealth COVID-19 Medicaid service regulations were more restrictive than traditional face to face Medicaid service regulations. Services submitted by telephone could only be provided and submitted for one billing unit per day versus face-to-face services that were allowed to be provided and submitted for multiple billing units per day. This decreased revenues in programs that were unable to be safely provided in another format other than telehealth because they could not be delivered while socially distanced, including Therapeutic Day Treatment (TDT) and Mental Health Skill Building (MHSB). TDT Medicaid revenue decreased $2,061,661, or 64.75%, from $3,184,012 in FY 2020 to $1,122,351 in FY 2021. MHSB Medicaid revenue decreased $1,242,586, or 48.61%, from $2,556,100 in FY 2020 to $1,313,514 in FY 2021. In addition, COVID-19 necessitated the Agency adjusting the scale of programs unable to be delivered while socially distanced, including suspending IDC day support services and significantly reducing the MHSB and TDT services. Because COVID-19 caused them to be suspended, IDC day support services Medicaid revenues decreased $1,140,635, or 55.81%, from $2,043,516 in FY 20 to $902,881 in FY 2021. Even with the reductions in these programs, the overall revenue of the Agency held steady, as the Agency focused on seeking out and applying for grant funding while COVID-19 impacted traditional revenue sources, because the pandemic continued to significantly increase the need for the services Mount Rogers provided as individuals experienced rising levels of stress, anxiety, fear, sadness, loneliness, and mental health disorders as the pandemic continued.

In FY 2021, contract sales revenue decreased by $1,572,885, or 13.22%, compared to FY 2020. This decrease was mainly due to COVID-19. The IDC's continued to have socially distanced workstations as a preventative measure, therefore reducing work staff. Impacts were also felt as working staff who had contracted COVID, or had contact with someone who was confirmed positive, were asked to quarantine for a period based on the available CDC guidance. In addition, labor market tightness resulted in a significant increase in the time to fill vacant positions. Transportation was also permanently suspended in April of 2020, as it could not be performed while social distancing. The IDCs are operating at about 70% capacity in production services, which reduces the amount of revenue from contract sales but also reduces the material and labor cost associated with producing the products.

Contributions and other local funding decreased 51.3% in FY 2021 versus FY 2020, from $93,361 to $45,466. This decrease was because the two large donations received in FY 2020 were one time only contributions not available again in FY 2021. In addition, housing assistance payments reflected on the financial statements decreased 30.3% from $12,520 to $8,226. These payments were in connection with a Housing Assistance Payments Contract the Agency had with the United States Department of Housing and Urban Development (HUD).

This contract aided Section 8 tenant- based housing by offering subsidies to the project. The Agency terminated this contract in March 2021, so revenue was only received from this source for 75% of the fiscal year.

Miscellaneous income increased by $107,915, or 28.58%, from $377,525 in FY 2020 to $485,440 in FY 2021. This increase was due to the Agency receiving revenue from a STEP VA mobile crisis grant New River Valley Community Services was awarded in FY 2021. The Agency received revenue on a reimbursement basis for providing this service in Mount Rogers' catchment area.

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

State revenue decreased by $331,531, or 2.3%, in the current fiscal year from $14,455,304 in FY 2020 to $14,123,773 in FY 2021. The majority of state funds are awarded to the Agency by DBHDS. While the Agency received more funding in FY 2021 than FY 2020, it did not realize more revenue in the current year. Accrual basis accounting and financial reporting recognizes revenue when it is earned and expenses when they are incurred, regardless of when money actually changes hands. Funds received but not earned at the fiscal year end are reflected as deferred revenue on the balance sheet.

Federal revenue increased by $2,957,810, or 119% over the last year, from $2,487,352 in FY 2020 to $5,445,162 in FY 2021. The increase in federal funds was primarily composed of the following two fundings:

- FY 2021 was the first full fiscal year for which the Agency received CCBHC funds. The Agency was awarded the CCBHC grant in April of 2020 by SAMHSA. The CCBHC award allowed the Agency to become a Certified Community Behavioral Health Clinic (CCBHC) and to expand or launch ACT services, crisis care services and RN care coordination services across the Agency's catchment area. The Agency received revenue of $1,788,397 from the CCBHC grant to provide these opportunities.

- The Agency received revenue of $703,494 from Rounds 2 and 3 of the Health Resources & Services Administration (HRSA) Provider Relief Funds. These awards were given to eligible providers that had health care related expenses and lost revenues attributable to COVID-19.

Local funds increased by $36,594 or 6.33% over the last year, from $577,937 in FY 2020 to $614,531 in FY 2021. The Code of Virginia authorizes DBHDS to provide funds to assist in establishing, maintaining, and promoting the development of mental health, intellectual disabilities, and substance use services. The code also establishes criteria for allocation of funds to community services agencies and limits these allocations to no more than 90% of the total amount of state and local matching funds provided for operating expenses unless a waiver is granted by the Department. The minimum local matching funds requirement is 10%. This 10% match is requested from the Board of Supervisors of the counties of Smyth, Wythe, Bland, Carroll, and Grayson and from the City of Galax town council.

Personnel expenses reflect a decrease of $1,503,482 or 4.6% in FY 2021 as compared to FY 2020. During the year, the safety measures required to mitigate COVID-19 effects necessitated the downsizing of some programs that could not maintain social distancing measures by the nature of their service types. These included Therapeutic Day Treatment, Mental Health Skill Building, Psychosocial Rehabilitation, and IDC Transportation as well as IDC production personnel. The decrease in personnel expense in these programs of over $2 million was offset by increased personnel expenses from new programs or full year costs of programs partially launched in FY 2021.

Staff development expenses increased from the prior year by $39,237 or 52.61%. Staff development involves training expenses associated with the Agency's employees, dues and memberships of the Agency and employees and subscriptions of the Agency. In FY 2020, staff development was at a minimum due to the COVID-19 pandemic's curtailing effect on training. Many staff were working from home and required trainings were put on hold. In FY 2021, the Agency began to provide in person trainings to staff. One of the largest expenditures made by the Agency was to certify staff in Behavioral Health Safety Care. These staff once certified were able to provide training to additional staff within the Agency.

Facilities expenses increased by $244,504, or 12.17%, from $2,009,055 in FY 2020 to $2,253,559 in FY 2021. Facility expenses are comprised of the following: rent, utilities, telephone, facility maintenance, and facility insurance. Rental expense was an item which increased in FY 2021. Rents in the Permanent Supported Housing Program (PSH) attributed to the increase in the overall rent expense. The PSH program combines affordable housing, health care, and supportive services to help individuals to lead more stable lives. Facility costs include the rental assistance paid by the Agency to help individual's rent be more affordable. Another cause for rental expense increase during the FY 2021 year was for a building rented in the Twin County area. This building houses the Agency's Crisis Care Center which provides crisis intervention, crisis stabilization in the community and ambulatory detox to adults. The program provides a living room model and replaces the hospital emergency department with a relaxing environment. The center is open without any appointment necessary. In addition, maintenance and repair costs on facilities are upward trending because of increased prices of raw materials. These price increases affected all construction materials costs, sometimes causing cost increases as large as 33% above prior year cost.

Equipment and supplies expense decreased by $1,398,096, or 21.86%, from $6,395,327 in FY 2020 to $4,997,231 in FY 2021. Items in this category are small equipment, maintenance and service contracts, office supplies, facility supplies, educational and recreation supplies, food expense, medical supplies, and contract supplies. Much of the FY 2021 decrease is attributable to contract supplies, which is the cost of items used in the manufacturing process at the IDCs. As such, contract supplies expense is directly proportional to contract sales revenue. This line item decreased by $1,303,329, as a result of decreased production for governmental contracts due to the continued impact of COVID-19 affecting contract sales.

Travel expenses decreased this year by $318,535, or 49%, from $649,744 in FY 2020 to $331,209 in FY 2021. Travel expense includes items such as private mileage paid to employees, operating expenses for the Agency's fleet, automobile insurance and employee food and lodging. As a direct result of continued COVID-19 pandemic and safety protocols, travel continued to be limited in FY 2021. Accordingly, private mileage decreased 62% this year by $107,837 from the prior year. Private mileage is paid to employees for use of a personal vehicle for Agency business. The Agency authorizes payment at a rate of $.50 per mile to help offset vehicle operating expenses, including gasoline, automobile liability insurance and repairs. A similar pandemic related decrease in all other travel line items also occurred.

Contract services increased $1,182,371 in FY 2021, or 7.5%, over FY 2020. Contract services are comprised of accounting and auditing expenses, data processing costs, legal services, psychiatric and psychological contract expenses, and program contractual services. The increase in contract services was primarily composed of the following two categories:

- Legal Services in FY 2021 increased to $102,872. One increase in legal services was incurred due to legal services required for consideration and completion of the purchases of the property located at 540 West Main Street in Wytheville and the property located at 710 West Ridge Road in Wytheville.

- Contracted Services associated with the Smyth IDC production segment increased $1,704,57, or 399%, in FY 2021 from $457,512 in FY 2020 to $2,132,085 in FY 2021. This increase was a direct result of COVID-19 continuing to affect direct production in the IDC division due to worker exposure and illness related absences, social distancing related decreases in workstations, and suspended transportation services. To keep production contracts on schedule, the Smyth IDC contracted more production in FY 2021 with similarly aligned outside vendors including Lions Volunteer Blind Industries, Inc. and Goodwill Industries.

Miscellaneous expense increased by $10,847, from $360,475 in FY 2020 to $371,322 in FY 2021. Miscellaneous expense is comprised of staff liability insurance, postage, printing, advertising, client and family support and any other expense that cannot be classified in one of the other expense categories.

Depreciation expense decreased by $142,811, or 8.9%, from $1,601,861 in the prior year to $1,459,050 in the current year. Depreciation is calculated on capital assets. A capital asset is an asset held with the intention of being used for the purpose of producing or providing goods or services in the normal course of business. Depreciation is an accounting method of allocating the cost of a fixed asset over its estimated useful life. The Agency capitalizes and depreciates all capital assets with a value of $5,000 or greater. The Agency uses estimated useful lives for capital assets ranging from three to forty years. Depreciation expense decreased in part because of the depreciation reflected for vehicle inventory. The Agency's goal is to replenish a portion of the vehicle inventory each year. The amount of inventory purchased is dictated by Agency surplus, current vehicle conditions, availability of stock and cost. The Agency purchased 17 vehicles in June of 2021. By purchasing the vehicles so late in the fiscal year, the depreciation expense was minimal. The estimated life of a vehicle is estimated at four years.

Interest expense decreased in the current year by $19,315 as compared to the prior year. In FY 2021 the interest expense was $159,669, down from the FY 2020 balance of $178,984. As the loan reduces with payments of principal, the interest expense also declines.

An expense reflected as a nonoperating item in FY 2021 is a governmental transfer to a component unit of $2,247,655. This item reflects an amount transferred from the Agency to Mount Rogers Community Services, Inc. (a component unit of the Agency as discussed previously). The Board of Directors authorized a transfer to MRCSI to use in the purchase of real estate. This real estate provides physical space for the Agency to offer services. The real estate's original cost and depreciation expense is reflected in the Combining Statement of Net Position under the Mount Rogers Community Services, Inc.'s column.

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

Overall, unrestricted cash increased this year by $9,571,876. The Agency generated $12,044,439 in net cash from its operating and noncapital financing activities aggregated for FY 2021. Receipts from individuals served and IDC customers generated $49,388,263, while receipts from state, federal and local governments were $28,237,668. Cash outflows to employees and for employee benefits totaled $37,001,746, and payments for goods and services totaled $28,579,746.

The net cash used by capital and related financing activities netted $2,616,623. During the current fiscal year, loan reductions included debt payments on long-term debt to Rural Development, First Bank and Trust and the Signature Public Funding Corporation, all totaling $277,771. Capital activities also included purchases of capital assets of $4,849,257. Other items included in capital and financing activities include proceeds from the sale of assets of $116,931, security deposits received of $7,205, and payments from reserve accounts in excess of contributions to reserve accounts of $60,759. Interest expense paid in FY 2021 was $157,732. Proceeds from new debt in FY 2021 was $2,483,242.

Net cash provided by investing activities was $144,060, representing interest income.

Capital Assets

The Agency's capital assets net of accumulated depreciation totaled $21,874,568 on June 30, 2021. This amount represented a net increase of $3,240,437 from the previous fiscal year end. Depreciation expense totaled $1,459,050 for the current fiscal year. During this fiscal year, the Agency purchased a total of $4,849,257 in capital assets. These capital expenditures included the purchase of real estate of $3,779,772, remodeling of facilities for $107,219, the purchase of vehicles for $788,879, purchase of software and technology equipment of $150,230 and purchase of equipment and furniture for $23,157.

During the current year, Mount Rogers Community Services Inc. purchased two properties to be rented to the Agency to conduct services. The property located at 540 West Main Street in Wytheville was purchased on June 8, 2021. This property is approximately 13,600 square feet and currently houses the Agency's youth crisis stabilization unit and clinical youth services. The Agency rented the property prior to purchase. The MRCSI also purchased property located at 710 West Ridge Road in Wytheville. This building has two levels consisting of approximately 8,100 square feet on each level. The top level is currently rented to others outside of the Agency and generates over $11,800 per month. The bottom level is used by Mount Rogers Community Services to house programs of the Agency. This building helps to complete the Agency's vision of having a campus like area where adult clinical services can be offered within a walking distance.

During the current fiscal, the Agency continued to install network upgrade equipment. The Agency purchased the equipment in FY 2020 to replace the network at a cost of $138,785 and installed a portion of the equipment in that year. The remaining balance of $81,170 was installed in the current fiscal year. The Agency also upgraded their human resource/payroll/timekeeping system at a cost of $69,060 in the current fiscal year.

The following table reflects the comparison of Capital Asset components as of June 30, 2021, and June 30, 2020:

Description	**FY 2021**	**FY 2020**
Land	$ 1,202,773	$ 744,011
Building and Land Improvements	27,344,724	23,371,547
Equipment and Vehicles	7,671,498	6,688,416
Construction in Progress	15,403	739,222
Total	$ 36,234,398	$ 31,543,196
Accumulated Depreciation	(14,359,830)	(12,909,065)
Net Property and Equipment	$ 21,874,568	$ 18,643,131

Long-term debt

During the current fiscal year, the Agency continued to retire current debt by making payments based upon the terms of the loan agreement. The Agency also incurred additional debt for the purchase of real estate. Outstanding long-term debt at the end of June 30, 2020 was $3,879,006, which increased to $6,421,235 at the end of FY 2021.

In the current year, the Agency entered into a loan agreement with Rural Development for the financing of real estate located in Wytheville, Virginia. The loan, dated June 2021 and for an amount of $2,820,000, is to be repaid over a 30-year period. Principal and interest payments of $10,604 at a rate of 2.125% are due and payable monthly.

Principal payments of $27,341 were paid on the mortgage loan with Rural Development, $179,100 was paid on the secured note with Signature Public Funding Corporation, and $73,421 was paid on the First Bank and Trust Note Payable. The First Bank and Trust Note was paid in full on July 13, 2021. Current portion of long-term debt at June 30, 2021 was $1,067,918.

Budgetary Highlights

The following table reflects the budget to actual comparison for FY 2021:
(Component units are omitted from this table.)

	Initial Budget	Revised Budget	Actual
Revenues:			
Fees	$ 31,180,519	$ 31,180,519	$ 31,968,402
State Funding	14,518,284	14,551,428	18,294,507
Federal Funding	3,759,377	3,759,377	5,299,733
Contract Sales	10,619,463	10,619,463	10,384,784
Local Governments	582,937	614,531	614,531
Contributions/Other local	194,709	194,709	208,512
Miscellaneous	235,312	235,312	286,007
Prior-year Re-grant	2,002,789	2,002,789	1,939,391
Total Revenues	$ 63,093,390	$ 63,158,128	$ 68,995,867
Adjustments to Convert Cash Basis to GAAP Accrual Basis and Component Units			(6,397,673)
Total GAAP Revenue per the Statement of Revenues, Expenses and Changes in Net Position			$ 62,598,194
Expenses:			
Personnel	$40,405,750	$40,405,750	$ 36,963,247
Staff Development	125,480	125,480	127,806
Facilities	3,025,166	3,025,166	3,555,084
Equipment/Supplies	6,448,559	6,448,559	5,164,424
Travel	662,788	662,788	332,259
Contract Services	11,327,825	11,360,969	10,029,346
Miscellaneous	438,734	470,328	3,868,846
Total Expenses	$ 62,434,302	$ 62,499,040	$60,041,012
Adjustments to Convert Cash Basis to GAAP Accrual Basis and Component Units			(2,641,150)
Total GAAP Expenses per the Statement of Revenues, Expenses and Changes in Net Position			$ 57,399,862

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

Economic Outlook

The financial statements of the Agency for FY 2021 reflect a strong financial performance. The Agency's change in net position reflects an amount of $5.2 million. This is the seventh consecutive year the Agency has reflected a positive change in net position. Based upon this strong performance, the Agency made strategic plans to use portions of the funds to retire debt and purchase real estate.

During the year, the Agency purchased properties in the Wytheville area. A property located on West Ridge Road became available for purchase. This property was adjacent to the Agency's administrative offices, adult clinical services, and the crisis care center. By purchasing this property, the Agency could develop a campus community where an individual could receive an array of services within a walking distance. This would also provide the Agency additional office space for administrative staff and would provide more parking space. The Agency financed the purchase of the building with Rural Development. At the time of the purchase, there were portions of the building that were rented. The rents received help to subsidize the loan payment. The Agency also purchased a building located at 540 West Main Street that it previously rented. This building houses youth clinical services and a youth crisis stabilization unit. Based upon the selling price and the current rental rate, the Agency could own the building in eight years. The Agency chose to purchase the building outright with cash reserves.

The Agency also used the FY 2021 surplus funds to retire a loan with Rural Development. This loan was taken out in 2002 and was used for the remodeling of the EW Cline building. Early payoff of the loan allowed the Agency to save a considerable amount of interest expense and to reduce the Agency's indebtedness.

COVID-19 continued in FY 2021 and will be a concern for the upcoming year also. While vaccines for the virus have been developed, the virus continues to infect staff and individuals that we service. The Agency has offered incentives to encourage staff to become vaccinated. The Agency's procedures state all staff will continue to wear masks and other protective equipment as deemed necessary. The Agency also monitors virus out breaks and requires staff who are exhibiting signs of sickness to take a COVID test before coming back to work.

The Agency continues to use technology for staff meetings through a software called Zoom. This form of meeting is beneficial for staff as it eliminates the driving time for in person meetings and makes meetings possible for those who are unable to travel. It is also beneficial to the Agency as it reduces the vehicle expenses associated with travel.

In September 2021, the Agency was awarded a $5 million Community Mental Health Center (CMHC) grant by SAMSHA. This two-year grant is to support, restore and enhance mental health services for individuals impacted by the COVID-19 pandemic. The grant is designed to meet the evolving and expanding needs of the seriously mental ill, who were isolated by the pandemic, by increasing access to Crisis Management Services.

The Agency will provide support to these individuals through three Crisis Care Centers located in Wythe, Smyth, and Twin County areas. These centers make services available 24 hours a day, 7 days a week. These services are intended to keep individuals out of the emergency room. The CMHC grant helps to support a licensed prescriber (doctor or nurse practitioner), registered nurses, qualified mental health professionals, licensed mental health professionals, peer specialists, family support partners and community outreach trainers.

The Agency sets strategic goals every year. The initiatives for the FY 2022 were fiscally focused, sound and centered on quality care with measured outcomes. As the FY 2022 budget was developed, it was based on estimated staff billable targets. These targets are monitored to determine the efficiency and productivity of programs and staff. Revenues and expenses were projected based upon realistic goals and expectations of the Agency. Each program area is expected to cover all expenses and generate surplus to go toward increasing cash surplus (known as reserve). The Agency will continue to research new funding sources, identify cost efficiencies, enhance reimbursement and billing procedures, and maximize the utilization of services. Changes implemented should result in steady improvement to operating margins.

In the upcoming FY 2022, the Agency will be nearing the end of the Certified Community Behavioral Health Clinic grant (CCBHC). The grant, awarded in April 2020, was a $4 million grant over a 2-year period. The grant targeted adults with serious mental illness, substance use disorder, or co-occurring disorders and children with serious emotional disturbance. The project expanded capacity to provide additional Assertive Community Treatment services, to create an RN Care Coordination Team and to expand Crisis Management Services. Programs have been working to ensure staff generate billing services sufficient to support these programs' expenditures when this grant ends.

The Agency was fortunate in FY 2021 and received several one-time state allocations of funds for projects. Many of these funds were for periods greater than one year or were not fully spent in the FY 2021 year. These unspent funds will be carried over into the FY 2022 year to support expenditures. These unspent funds show as deferred revenues in the Statement of Net Position and total $6,270,222. Major amounts of deferred revenue are summarized below:

- During FY 2021, in partnering with DBHDS and Valley Health Care Center Nursing Home, the Agency received $1,151,000 of funding to develop and operate a Nursing Home Pilot Discharge Program. This funding provided funds to support regional state hospital nursing home discharge specialists and a nursing home enhanced activities therapist. Staff funding for 36 months was received in a one-time payment of $796,000, along with one-time funds of $345,000 for structural modifications to the nursing home, and $10,000 for clinical supplies. During FY 2021, the Agency expended $82,581 and the remaining $1,068,419 will be carried over to FY 2022.

- Mount Rogers Community Services received $724,343 of state funds to help develop a transitional home setting for individuals with serious mental illnesses. The goal is to offer a wide array of quality residential services along with decreasing the state hospital census. Individuals transition toward independent living and may reside at the facility up to 12 months. The Agency will work collaboratively with Southwestern Virginia Mental Health Institute to increase access to care and eliminate barriers individuals face once discharged from the hospital. The Agency established a 6-bed transitional home, called Transitions, for individuals discharged from a Virginia state psychiatric facility. These funds will be expended in FY 2022.

- Children's Residential Crisis Stabilization is a crucial part of the community-based care in Virginia. DBHDS is committed to providing residential care for individuals as part of managing their behavioral health crisis. The Agency currently has an 8-bed crisis stabilization unit which provides an alternative to hospitalization for children. This program, called PATH, offers a safe and therapeutic environment for them to deescalate from a crisis, to stabilize for a period, and to develop the skills and awareness essential to on-going recovery. In June 2021, DBHDS awarded the Agency one-time funding in the amount of $1,300,000 to purchase real estate and create a 12-bed crisis stabilization unit. At the end of FY 2021, the real estate had been identified and plans were made to purchase the property and begin construction in FY 2022. All funds will be expended in FY 2022.

- DBHDS funds PSH programs for individuals with serious mental illness. The Agency has been providing services through this funding for several years. This program provides long-term rental assistance and supportive services such as housing stabilization, case management, and peer support services. In FY 2021, DBHDS funding increased by $14 million and DBHDS accepted proposals from Community Services Boards for this expansion. Approved proposals would expand the annual operating budgets of existing PSH programs. DBHDS awarded ongoing funds and, due to the extended lease time required by the programs, startup funding was made available. Startup funding covers approximately a two-year period until Medicaid reimbursement is phased in reducing the need for grant funds over time. The Agency received additional ongoing funding to start in FY 2022 and received one-time funds of $225,800 in June of 2021 which will be utilized in FY 2022.

- The Agency is the fiscal agent for the Southwestern Virginia Board. As fiscal agent, the Agency receives funds from DBHDS and pays vendors based upon direction from SWVAB. One program administered by the Agency for SWVAB is the Discharge Assistance Program. DAP supports a person-centered and recovery-based care and provides services and supports that promotes self-determination, empowerment, recovery, resilience, health, and the highest level of participation by individuals receiving services in all aspects of community life, including work, school, family, and other meaningful relationships. The DAP program offers a flexible approach for responding to discharge barriers from state hospitals and supports needed to keep them out of the hospital. During FY 2021, the DAP program received $3,728,758 in current year funding and had carry over of $681,020 from FY 2020. During FY 2021, $3,082,299 was expended for services and supports and the remaining $1,327,479 is reflected as deferred revenue and will be utilized in FY 2022.

For the upcoming year, the Agency believes it will have another productive year. As we enter the new fiscal year, another coronavirus surge is occurring. Everyone is feeling a level of uneasiness, causing issues and disruptions to everyday life. However, revenue for the Agency continues to hold strong. The Agency continues to apply for competitive grants and state funds, which will help provide resources to sustain or expand services to individuals.

The Industrial and Developmental Centers (IDC) continues to secure additional customers and business including the addition of a new hand assembly line for a local customer. The US Department of Defense (DOD) remains the IDC's largest customer. Items produced for DOD include the unisex and female advanced combat shirts and the advanced combat helmet cover in both Operational Camouflage Pattern (OCP) and Snow Camo designs. The IDC leadership remains involved with SourceAmerica to maintain awareness of both current and upcoming federal projects. The IDC successfully secured a new advanced combat shirt contract from the Defense Logistics Agency (DLA) which replaces the current contract from the Natick contracting activity. The DLA contract is for 5 years and is expected to provide a more consistent demand flow than previously seen. The IDC's commercial customer base continues to be very strong with customers including Blue Ridge Beverages (Gatorade), Somic America, Carolina Narrows and the newest customer NAPCO.

The IDC's contract sales for FY 2022 decreased slightly (4%) versus FY 2021 This decrease was mainly due to continued impacts from COVID-19. We continue to observe social distancing and permanently suspended transportation services. Impacts were also felt as working staff who had contracted COVID, or had contact with someone who was confirmed positive, were asked to quarantine for a period based on the available Centers for Disease Control (CDC) guidance. In addition, labor market tightness resulted in a significant increase in the time to fill vacant positions.

Virginia minimum wage increased to $9.50 on May 1, 2021 and will increase to $11.00 on January 1, 2022. The minimum wage will increase again to $12.00 on Jan 1, 2023. Both the increase on May 1, 2021 and January 1, 2022 have been negotiated into all commercial sales. This increase will be negotiated into new federal contracts as the contract is renewed. We will not be able to negotiate these increases into existing federal contracts and therefore the increase will reduce overall profit on those items.

In July 2021, the Agency entered into an agreement with the Medical Society of Virginia Foundation to participate in the Virginia Mental Health Access Program (VMAP). This is a statewide program designed to assist healthcare providers who treat children and adolescents with mental health conditions by increasing access to providers, such as child psychiatrists, psychologist, social workers, and care navigators and by providing education on the screening, diagnosis, management and treatment of mental health conditions. Mount Rogers Community Services is considered the Regional Organization and provides services to members of the group. This program provides funding for a child and adolescent psychiatrist, a licensed mental health professional, two care navigators and administrative expenses necessary to coordinate day-to-day operations.

The STEP VA Program is a long-term initiative designed to improve the community behavioral health services available to all Virginians. The program will improve access, increase quality, build consistency, and strengthen accountability. The services are intended to foster wellness among individuals with behavioral health disorders in everyday life to prevent crisis before they arise. Outcomes would include fewer admissions to state and private hospitals, decreased emergency room visits, and reduced involvement of individuals with behavioral health disorders in the criminal justice system. The Agency will receive more than $2.4 million in STEP VA mental health funds and substance use funds to provide services in FY 2022.

Children's Residential Crisis Stabilization as discussed above is a crucial part of the community-based care in Virginia. In addition to the one-time funding in the amount of $1,300,000, the Agency will having increased ongoing funding in the amount of $357,860.

The Virginia Department of Behavioral Health & Development Services funds permanent supportive housing (PSH) programs for individuals with serious mental illness. The Agency will receive additional ongoing funds of $518,092 for FY 2022.

DBHDS awarded the Agency $500,000 for FY 2022 to operate the Coordinated Specialty Care Program (CSC). This program is a recovery-oriented treatment program for people with first episode psychosis (FEP). CSC promotes shared decision making and uses a team of specialists who work with the individual to create a personal treatment plan. These specialists offer psychotherapy, medication management, family education and support, case management, and work or education support. The goal is to link the individual with a CSC team as soon as possible after psychotic symptoms begin.

An additional FY 2022 project the Agency will be involved in is the Geriatric and Dementia Program, whose purpose is to provide comprehensive community response to older adults and individuals with dementia who are being served, or would otherwise be served, by a state psychiatric hospital. These funds will support a team to provide specialized supports for older adults and individuals with dementia through the following: a rapid response and assessment to avoid hospitalization, specific plans to support ongoing needs, specialized discharge planning from state hospitals, caregiver training and support, and medical assessments. Additionally, these funds will secure the use of up to 10 beds in an assisted living facility(ies) for crisis diversion or ongoing housing needs. The funding provided for this program in FY 2022 is $1,045,992.

During FY 2022, the Agency will also be involved in the Valley ALF Project. These funds will support assisted living facility (ALF) discharges from state facilities to the Valley ALF facility. This $304,200 project will provide funding to the Agency to support the purchase of beds at Valley ALF.

The Agency has applied for several COVID-19 grants to help cover additional expenses incurred to maintain the safety and health of staff and individuals. In September 2021, the U.S, Department of Health and Human Services (HHS), through the Health Resources and Services Administration (HRSA) announced an application for new funding available for health care providers affected by COVID-19 pandemic. Total funding included $8.5 billion provided in the American Rescue Plan

Act for providers who serve rural Medicaid, CHIP or Medicare patients. The Agency received an amount of $754,792 through the grant process.

During FY 2021, the Agency struggled with recruiting and hiring challenges. It is anticipated this issue will be one of the top priorities in FY 2022. Hiring staff who has a bachelor's or master's level human services degree has become a struggle, as the qualified pool is limited in our geographical region. One limitation for recruiting licensed staff is there is no accredited human services college/university in our catchment areas. As a recruitment strategy, the Agency offers sign on bonus for staff to entice them to accept employment. Even with the promotion of the sign on bonus, it is still hard to fill these positions.

An additional challenge the Agency is experiencing is an increase in the turnover rate. This rate has increased from 13% to a 21% in FY 2021. Recruitment efforts and turnovers can be tied to salary levels. The private sector is recruiting employees at 15 to 30% higher salaries than the Agency can afford with the current government reimbursement rates. Some turnovers can be attributed to COVID-19, as staff do not want to return to the office and are either opting to find remote work or their priority has shifted to focusing on their family. In addition, the Agency's workforce has a higher number of women and difficulty in finding childcare during COVID-19 also lead to turnover. The Agency feels these issues will continue in FY 2022.

To meet the agency's workforce needs in an increasingly challenging job market, Mount Rogers Community Services will increase marketing efforts related to workforce recruitment. Workforce recruitment marketing outlets include local and regional print media, local and regional radio stations, regional television stations, social media, online job boards, streaming video, online banner ad placements, and targeted emails. By utilizing a diversified marketing strategy for workforce recruitment, the Agency will be well placed in the current job market.

During Fiscal Year 2022, Mount Rogers Community Services will engage local and state legislators on legislation and budget items impacting our operation. In January 2022, the Chief Executive Officer (CEO) will travel to Richmond to meet with our representatives while the Virginia Senate and House of Delegates are in session. The CEO will advocate for increased state funding for behavioral healthcare concerns including crisis management services, reimbursement rates, and workforce challenges.

Request for Information

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

BASIC FINANCIAL STATEMENTS

MOUNT ROGERS COMMUNITY SERVICES

STATEMENT OF NET POSITION
June 30, 2021
(With Comparative Totals for June 30, 2020)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 25,978,594	$ 16,346,130
Accounts receivable (net of allowance for doubtful accounts)	3,545,480	4,174,292
Prepaid expenses	734,797	820,251
Other receivables	565,311	246,163
Inventories	1,184,767	1,022,786
Total current assets	32,008,949	22,609,622
RESTRICTED CURRENT ASSETS		
Cash and cash equivalents – restricted	-	60,588
Loan proceeds held by lender	336,758	-
Restricted deposits and funded reserves	637	61,396
Restricted assets – held in trust	292,230	157,825
Total restricted current assets	629,625	279,809
Total current assets and restricted current assets	32,638,574	22,889,431
NONCURRENT ASSETS		
Capital assets (net of accumulated depreciation)	21,874,568	18,634,131
Total assets	54,513,142	41,523,562
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	4,129,034	3,078,880
Deferred outflows related to other postemployment benefits	576,764	562,241
Total deferred outflows of resources	4,705,798	3,641,121
Total assets and deferred outflows of resources	$ 59,218,940	$ 45,164,683

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

MOUNT ROGERS COMMUNITY SERVICES

STATEMENT OF NET POSITION
June 30, 2021
(With Comparative Totals for June 30, 2020)

	2021	2020
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 1,593,570	$ 1,259,225
Accrued interest payable	52,187	50,249
Accrued liabilities	10,227	17,022
Unearned revenues	6,270,222	2,007,529
Accrued payroll	122,761	83,422
General note obligations, current obligations	1,067,918	275,873
Total current liabilities	9,116,885	3,693,320
LONG-TERM LIABILITIES		
Compensated absences	2,106,726	1,853,822
Security deposits	7,205	-
Net pension liability	7,615,774	5,626,062
Net other postemployment benefit liability	2,093,054	2,021,000
General note obligations, net of current obligations	5,353,317	3,603,133
Total long-term liabilities	17,176,076	13,104,017
OTHER LIABILITIES		
Liability for funds held in trust	292,230	157,825
Total liabilities	26,585,191	16,955,162
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	1,270,202	1,977,810
Deferred inflows related to other postemployment benefits	62,504	129,000
Total deferred inflows of resources	1,332,706	2,106,810
NET POSITION		
Net investment in capital assets	15,453,333	14,755,125
Restricted	292,867	121,984
Unrestricted	15,554,843	11,225,602
Total net position	31,301,043	26,102,711
Total liabilities, deferred inflows of resources and net position	$ 59,218,940	$ 45,164,683

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

MOUNT ROGERS COMMUNITY SERVICES

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2021
(With Comparative Totals for June 30, 2020)

	2021	2020
OPERATING REVENUES		
Third-party fees	$ 31,407,817	$ 35,035,235
Contract sales	10,323,719	11,896,604
Contributions	45,466	93,361
Housing assistance payments	8,226	12,520
Other income	485,440	377,525
Total operating revenues	42,270,668	47,415,245
OPERATING EXPENSES		
Personnel	30,727,354	32,230,836
Staff development	113,810	74,573
Facilities	2,253,559	2,009,055
Equipment/supplies	4,997,231	6,395,327
Travel	331,209	649,744
Contract services	16,952,369	15,769,998
Miscellaneous	371,322	360,475
Depreciation	1,459,050	1,601,861
Total operating expenses	57,205,904	59,091,869
Operating loss	(14,935,236)	(11,676,624)
NONOPERATING REVENUE (EXPENSE)		
Interest income	144,060	118,837
Interest expense	(159,669)	(178,984)
Gain (loss) on sale/disposal of assets	(34,289)	41,612
Intergovernmental revenues:		
Commonwealth of Virginia	14,123,773	14,455,304
Federal Government	5,445,162	2,487,352
Local Governments	614,531	577,937
Total net nonoperating revenue	20,133,568	17,502,058
Change in net position	5,198,332	5,825,434
NET POSITION		
Beginning of year	26,102,711	20,277,277
End of year	$ 31,301,043	$ 26,102,711

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

MOUNT ROGERS COMMUNITY SERVICES

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021
(With Comparative Totals for June 30, 2020)

	2021	2020
OPERATING ACTIVITIES		
Receipts from individuals served and users	$ 49,388,263	$ 54,069,361
Cash paid to suppliers for goods and services	(24,795,169)	(25,836,593)
Cash paid to employees and for benefits	(37,001,746)	(39,772,710)
Net cash used in operating activities	(12,408,652)	(11,539,942)
NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental revenues	24,453,091	17,930,250
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(4,849,257)	(1,240,785)
Proceeds from sale of assets	116,931	41,983
Security deposits received	7,205	-
Withdrawals from reserve accounts	60,759	3,180
Principal payments on borrowed funds	(277,771)	(626,687)
Proceeds from new debt	2,483,242	-
Receipts from note receivable	-	5,000
Interest expense	(157,732)	(182,492)
Net cash used in capital and related financing activities	(2,616,623)	(1,999,801)
INVESTING ACTIVITIES		
Interest income	144,060	118,966
Net cash provided by investing activities	144,060	118,966
Net increase in cash and cash equivalents	9,571,876	4,509,473
CASH AND CASH EQUIVALENTS		
Beginning of year	16,406,718	11,897,245
End of year	$ 25,978,594	$ 16,406,718

(Continued)

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

MOUNT ROGERS COMMUNITY SERVICES

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021
(With Comparative Totals for June 30, 2020)

	2021	2020
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 25,978,594	$ 16,346,130
Cash and cash equivalents, restricted	-	60,588
	$ 25,978,594	$ 16,406,718
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (14,935,236)	$ (11,676,624)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,459,050	1,601,861
Changes in:		
Accounts receivable	630,278	(343,587)
Prepaid expenses	85,454	(208,328)
Other receivables	(318,064)	(71,845)
Inventories	(161,981)	172,535
Deferred outflows of resources	(1,064,677)	(1,703,578)
Accounts payable	331,795	(312,024)
Accrued liabilities	(14,727)	(4,048)
Accrued payroll and compensated absences	291,794	(336,150)
Net pension liability	2,061,766	1,851,218
Deferred inflows of resources	(774,104)	(509,372)
Net cash used in operating activities	$ (12,408,652)	$ (11,539,942)

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

1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

The Board calculates its allowance for doubtful accounts using historical collection data, and in most cases, specific account analysis. A charge to income to absorb possible credit losses is provided when, in the opinion of management, it is appropriate. The receivables shown in the financial statements are shown net of allowances for doubtful accounts. The allowance for doubtful accounts totaled $1,199,558 for 2021.

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

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

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

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

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

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

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

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

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Q. Deferred Outflows/Inflows of Resources (Continued)

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

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

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

2. Deposits and Investments

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

Investments – Statutes authorize the Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes; banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The Board's investments as of June 30, 2021 were rated by Standard and Poor and the ratings are presented below using the Standard and Poor's rating scale.

	Rating		
Rated Investment Type	**AAAm**	**Unrated**	**Total**
Money Market Fund	$ 638	$ -	$ 638

2. Deposits and Investments (Continued)

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

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

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

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

Investment Type	Fair Value	Less Than 1 Year
Money Market Fund	$ 638	$ 638

3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Board categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Board maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

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

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

3. Fair Value Measurements (Continued)

The Board has the following recurring fair value measurements as of June 30, 2021:

		Fair Value Measurement Using		
Investment		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Fund	$ 638	$ 638	$ -	$ -

4. Capital Assets

A summary of capital assets is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets:				
Land	$ 744,011	$ 478,763	$ -	$ 1,222,774
Construction in progress	739,222	44,731	768,570	15,383
Total non-depreciable assets	1,483,233	523,494	768,570	1,238,157
Depreciable assets:				
Buildings and improvements	23,369,603	4,125,020	149,062	27,345,561
Equipment and vehicles	6,688,414	962,266	-	7,650,680
Total depreciable assets	30,058,017	5,087,286	149,062	34,996,241
Accumulated depreciation:				
Buildings and improvements	(7,892,798)	(705,713)	6,339	(8,592,172)
Equipment and vehicles	(5,014,321)	(753,337)	-	(5,767,658)
Total accumulated depreciation	(12,907,119)	(1,459,050)	6,339	(14,359,830)
Net depreciable assets	17,150,898	3,628,236	142,723	20,636,411
Total net capital assets	$ 18,634,131	$ 4,151,730	$ 911,293	$ 21,874,568

5. Local Government Revenue

The following are the local revenue receipts for the year ended June 30, 2021:

Bland County	$ 38,000
Carroll County	130,500
City of Galax	39,500
Grayson County	46,200
Smyth County	195,982
Wythe County	164,349
	$ 614,531

6. Long-Term Liabilities

A summary of long-term liabilities follows:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirement	Ending Balance	Due Within One Year
Notes from Direct Borrowings:					
Signature Public Funding Corporation	$ 2,965,600	$ -	$ 179,100	$ 2,786,500	$ 185,200
Rural Development Note Payable	839,985	-	25,250	814,735	814,735
First Bank & Trust Note Payable	73,421	-	73,421	-	-
710 West Ridge Rd Note Payable	-	2,820,000	-	2,820,000	67,983
Compensated Absences	1,853,822	252,904	-	2,106,726	-
	$ 5,732,828	$ 3,072,904	$ 277,771	$ 8,527,961	$ 1,067,918

A detail summary of long-term liabilities follows:

Rural Development Note Payable, issued August 8, 2002. Interest only payments for the first years at 4.50% interest rate. Monthly principal and interest reductions totaling $5,049 beginning August 8, 2004. Note matures February 2042, secured by real estate. This note was paid in full in July 2021.	$ 814,735
710 West Ridge Rd Note Payable, unsecured note dated June 3, 2021. Monthly principal and interest reductions totaling $10,604 with interest at a rate of 2.125%, maturing May 3, 2051.	2,820,000
Signature Public Funding Corporation Note Payable Original loan of $3,228,800, dated December 13, 2019 4.00% interest, yearly principal reductions and semi-annual interest payments. Matures August 1, 2038, secured by real estate.	2,786,500
	$ 6,421,235

6. Long-Term Liabilities (Continued)

Annual requirements to amortize long-term liabilities:

Year Ending June 30,	Principal	Interest
2022	$ 1,067,918	$ 170,725
2023	260,741	161,859
2024	273,031	154,207
2025	280,354	144,633
2026	292,408	134,795
2027-2031	1,613,255	512,722
2032-2036	1,001,643	240,662
2037-2041	487,881	158,609
2042-2046	542,521	105,116
2047-2051	601,483	45,633
	$ 6,421,235	$ 1,828,961

7. Compensated Absences

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

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

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

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

The Board has outstanding accrued vacation pay that totals $754,160, sick leave accrual of $576,024 and PTO accrual of $776,542 as of June 30, 2021.

8. Surety Bond

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

(Continued)

9. Leased Facilities

All facilities utilized by the Board are reflected as operating leases in the financial statements. The annual lease payments on all facilities totaled $537,767 in 2021.

10. Unearned Revenue

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

Money received from federal and state agencies in advance of the expenditure. All monies restricted for a specific purpose are carried over into the next fiscal year.	$ 6,209,666
Contributions for the building of a Veteran's Memorial. These contributions are restricted for the purpose of the memorial and revenue will be deferred until the time the total obligation of the memorial has been met.	928
Money received from individuals and third-party insurance companies for services to be provided. If an individual pre-pays for a service or money is received by the Board in error, these funds are accumulated until at what time they can be refunded or applied to an account for payment on services.	48,541
Money received from localities charged to individuals attending the drug court.	11,087
	$ 6,270,222

11. 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 circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

12. Restricted Assets – Held in Trust

The Board manages several individual funds. The Board segregates these monies held on behalf of the individuals served and considers them as a fiduciary responsibility. These funds are shown aggregated as an asset entitled "restricted asset – held in trust" and are also reflected as a liability titled "liability for funds held in trust." These accounts totaled $292,230 at June 30, 2021.

(Continued)

13. Restricted Cash

The Board has a loan with Rural Development which requires a reserve equal to one year's payment be accumulated. This reserve is to be accumulated at a rate of $1,060 per month until the entire amount of $127,248 is accumulated and restricted. At June 30, 2021, no amounts have been reflected as restricted cash for this purpose as no payments have been made on the loan.

14. Defined Benefit Pension Plan

Plan Description

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Members
Inactive members or their beneficiaries currently receiving benefits	95
Inactive members:	
Vested inactive members	59
Non-vested inactive members	87
Inactive members active elsewhere in VRS	47
Total inactive members	193
Active members	605
Total covered employees	893

(Continued)

14. Defined Benefit Pension Plan (Continued)

Contributions

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

The Board's contractually required contribution rate for the year ended June 30, 2021 was 6.19% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were $1,577,268 and $1,576,893 for the years ended June 30, 2021 and 2020, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

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

14. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00	0.46	0.07
Credit Strategies	14.00	5.38	0.75
Real Assets	14.00	5.01	0.86
Private Equity	14.00	8.34	1.17
MAPS – Multi-Asset Public Strategies	6.00	3.04	0.18
PIP – Private Investment Partnership	3.00	6.49	0.19
Total	100.00%		4.80
Inflation			2.50
*Expected arithmetic nominal return			7.30%

* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.81%, including expected inflation of 2.50%.

14. Defined Benefit 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, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2020 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

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at June 30, 2019	$ 49,229,495	$ 43,603,433	$ 5,626,062
Changes for the year:			
Service cost	2,303,202	-	2,303,202
Interest	3,260,699	-	3,260,699
Changes of assumptions	-	-	-
Differences between expected and actual experience	(185,569)	-	(185,569)
Contributions – employer	-	1,405,886	(1,405,886)
Contributions – employee	-	1,178,970	(1,178,970)
Net investment income	-	832,273	(832,273)
Benefit payments, including refunds of employee contributions	(1,845,695)	(1,845,695)	-
Administrative expenses	-	(27,491)	27,491
Other changes	-	(1,018)	1,018
Net changes	3,532,637	1,542,925	1,989,712
Balances at June 30, 2020	$ 52,762,132	$ 45,146,358	$ 7,615,774

(Continued)

14. Defined Benefit Pension Plan (Continued)

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

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

	1.00% Decrease (5.75%)	**Current Discount Rate (6.75%)**	**1.00% Increase (7.75%)**
Political Subdivision's net pension liability	$ 14,997,114	$ 7,615,774	$ 1,571,939

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

For the year ended June 30, 2021, the Board recognized pension expense of $1,638,212. At June 30, 2021, the Political Subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 118,911	$ 1,002,702
Changes in assumptions	1,067,212	267,500
Net difference between projected and actual earnings on pension plan investments	1,365,642	-
Employer contributions subsequent to the measurement date	1,577,269	-
Total	$ 4,129,034	$ 1,270,202

14. Defined Benefit Pension Plan (Continued)

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

The $1,577,268 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2022	$ (113,632)
2023	324,320
2024	481,845
2025	603,094
2026	(14,064)
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of the 2020 VRS Comprehensive Annual Financial Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

15. Other Postemployment Benefits Liability – Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

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

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

Plan Descriptions (Continued)

Group Life Insurance Program (Continued)

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2019. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2021 Contribution	$132,016
June 30, 2020 Contribution	$135,241

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

The net OPEB liabilities were measured as of June 30, 2020 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2021 proportionate share of liability	$	2,093,054
June 30, 2020 proportion		0.1254%
June 30, 2019 proportion		0.1242%
June 30, 2021 expense	$	123,104

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

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

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

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 134,250	$ 18,800
Changes in assumptions	104,677	43,704
Net difference between projected and actual earnings on OPEB plan investments	62,874	-
Changes in proportion	142,947	-
Employer contributions subsequent to the measurement date	132,016	-
	$ 576,764	$ 62,504

The deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30,	Increase to OPEB Expense
2022	$ 74,813
2023	92,569
2024	100,369
2025	86,334
2026	24,299
Thereafter	1,860

(Continued)

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

Actuarial Assumptions

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

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

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

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

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB liability	$ 3,523,938
Plan fiduciary net position	1,855,102
Employers' net OPEB liability (asset)	1,668,836
Plan fiduciary net position as a percentage of total OPEB liability	52.64 %

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

16. Litigation

At June 30, 2021, there were no matters of litigation involving the Board or which would materially affect the Board's financial position should any court decisions on pending matters not be favorable to the Board.

17. Line of Credit

The Board has a $10,000,000 revolving bank line of credit which bears interest at a variable rate (2.75% at June 30, 2021). The line is payable on demand and has an annual renewal. The next renewal date is December 16, 2022. There were no amounts outstanding on the line at June 30, 2021.

18. COVID-19 Impact

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

The Board's operations are heavily dependent on the ability to assess fees for services and access the capital markets. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The COVID-19 outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. The Agency received $12,098 in provider relief funds during fiscal year 2020. In fiscal year 2021, the Agency received $703,494 in provider relief funds and $72,565 in coronavirus relief funds and had fully utilized all funds received.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Board's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Board is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

19. Upcoming Pronouncements

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

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

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

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

19. Upcoming Pronouncements (Continued)

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

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

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

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

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

20. Subsequent Events

In January 2022, the Board entered into a purchase and sale agreement with a corporation to purchase certain real estate property at a purchase price of $2,100,000.

In September 2021, the Board received notification of a $5,000,000 federal award for the Community Mental Health Centers program. The award period runs from the date of the award until September 2023.

REQUIRED SUPPLEMENTARY INFORMATION

MOUNT ROGERS COMMUNITY SERVICES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2021

	Plan Year Ended June 30,		
	2020	**2019**	**2018**
Total Pension Liability			
Service cost	$ 2,303,202	$ 2,150,030	$ 2,024,924
Interest on total pension liability	3,260,699	3,025,211	2,871,431
Difference between expected and actual experience	(185,569)	98,895	(1,063,379)
Changes of assumptions	-	1,618,742	-
Benefit payments, including refunds of employee contributions	(1,845,695)	(1,761,367)	(1,510,880)
Net change in total pension liability	3,532,637	5,131,511	2,322,096
Total pension liability – beginning	49,229,495	44,097,984	41,775,888
Total pension liability – ending	52,762,132	49,229,495	44,097,984
Plan Fiduciary Net Position			
Contributions – employer	1,405,886	1,379,442	1,564,202
Contributions – employee	1,178,970	1,155,801	1,082,727
Net investment income	832,273	2,749,669	2,717,069
Benefit payments, including refunds of employee contributions	(1,845,695)	(1,761,367)	(1,510,880)
Administrative expenses	(27,491)	(25,512)	(22,128)
Other	(1,018)	(1,740)	(3,447)
Net change in plan fiduciary net position	1,542,925	3,496,293	3,827,543
Plan fiduciary net position – beginning	43,603,433	40,107,140	36,279,597
Plan fiduciary net position – ending	45,146,358	43,603,433	40,107,140
Net pension liability – ending	$ 7,615,774	$ 5,626,062	$ 3,990,844
Plan fiduciary net position as a percentage of total pension liability	85.57%	88.57%	90.95%
Covered employee payroll	$ 25,494,860	$ 24,356,288	$ 22,603,742
Net pension liability as a percentage of covered employee payroll	30%	23%	18%

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

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

The Notes to Required Supplementary Information are an integral part of these statements.

	Plan Year Ended June 30,			
	2017	2016	2015	2014
	$ 2,060,627	$ 2,084,897	$ 2,052,217	$ 2,029,879
	2,702,931	2,457,389	2,300,997	2,063,206
	(249,800)	169,967	(1,120,054)	-
	(717,076)	-	-	-
	(1,268,175)	(1,140,872)	(857,080)	(535,063)
	2,528,507	3,571,381	2,376,080	3,558,022
	39,247,381	35,676,000	33,299,920	29,741,898
	41,775,888	39,247,381	35,676,000	33,299,920
	1,496,594	1,526,709	1,534,637	2,012,595
	1,039,755	966,873	971,352	960,348
	3,908,620	564,555	1,259,817	3,448,725
	(1,268,175)	(1,140,872)	(857,080)	(535,063)
	(20,897)	(17,332)	(15,399)	(16,211)
	(3,545)	(227)	(275)	182
	5,152,352	1,899,706	2,893,052	5,870,576
	31,127,245	29,227,539	26,334,487	20,463,911
	36,279,597	31,127,245	29,227,539	26,334,487
	$ 5,496,291	$ 8,120,136	$ 6,448,461	$ 6,965,433
	86.84%	79.31%	81.92%	79.08%
	$ 21,242,628	$ 19,674,596	$ 19,578,839	$ 19,099,555
	26%	41%	33%	36%

MOUNT ROGERS COMMUNITY SERVICES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2021

Year Ended June 30,	Contractually Determined Contribution	Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
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

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

MOUNT ROGERS COMMUNITY SERVICES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY - VRS
June 30, 2021

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance – General Employees					
2021	0.125 %	2,093,054	25,494,860	8.21 %	52.64 %
2020	0.124	2,021,000	24,356,288	8.30	52.00
2019	0.118	1,805,000	22,603,742	7.99	51.22
2018	0.115	1,733,000	21,242,628	8.16	48.86

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

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

MOUNT ROGERS COMMUNITY SERVICES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - VRS
June 30, 2021

Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System – Group Life Insurance – General Employees					
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. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

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

Note 1. Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

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

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

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

OTHER SUPPLEMENTARY INFORMATION

MOUNT ROGERS COMMUNITY SERVICES

COMBINING STATEMENT OF NET POSITION
June 30, 2021

	Mount Rogers Community Services	Regional and Special Project Fiscal Agent	Employee Benefit Trust
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 18,976,338	$ 2,872,232	$ 3,122,116
Accounts receivable (net of allowance for doubtful accounts)	3,545,480	-	-
Prepaid expenses	118,971	-	581,005
Other receivables	565,289	-	22
Inventories	1,184,767	-	-
Total current assets	24,390,845	2,872,232	3,703,143
RESTRICTED CURRENT ASSETS			
Loan proceeds held by lender	-	-	-
Restricted deposits and funded reserves	637	-	-
Restricted assets – held in trust	292,230	-	-
Total restricted current assets	292,867	-	-
Total current and restricted current assets	24,683,712	2,872,232	3,703,143
NONCURRENT ASSETS			
Amount due from component unit	117,967	-	-
Property and equipment (net of accumulated depreciation)	17,379,358	-	-
Total assets	42,181,037	2,872,232	3,703,143
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	4,129,034	-	-
Deferred outflows related to other postemployment benefits	576,764	-	-
Total deferred outflows of resources	4,705,798	-	-
Total assets and deferred outflows of resources	$ 46,886,835	$ 2,872,232	$ 3,703,143

Mount Rogers Community Services, Inc.	Inter-Company Eliminations	Total
$ 1,007,908	$ -	$ 25,978,594
-	-	3,545,480
34,821	-	734,797
-	-	565,311
-	-	1,184,767
1,042,729	-	32,008,949
336,758	-	336,758
-	-	637
-	-	292,230
336,758	-	629,625
1,379,487	-	32,638,574
-	(117,967)	-
4,495,210	-	21,874,568
5,874,697	(117,967)	54,513,142
-	-	4,129,034
-	-	576,764
-	-	4,705,798
$ 5,874,697	$ (117,967)	$ 59,218,940

MOUNT ROGERS COMMUNITY SERVICES

COMBINING STATEMENT OF NET POSITION
June 30, 2021

	Mount Rogers Community Services	Regional and Special Project Fiscal Agent	Employee Benefit Trust
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$ 1,587,074	$ -	$ 447
Accrued interest payable	47,589	-	-
Accrued liabilities	10,227	-	-
Unearned revenues	3,397,990	2,872,232	-
Accrued payroll	122,761	-	-
General obligations, current obligations	999,935	-	-
Total current liabilities	6,165,576	2,872,232	447
LONG-TERM LIABILITIES			
Compensated absences	2,106,726	-	-
Security deposits	-	-	-
Net pension liability	7,615,774	-	-
Net other postemployment benefit liability	2,093,054	-	-
General note obligations, net of current obligations	2,601,300	-	-
Total long-term liabilities	14,416,854	-	-
OTHER LIABILITIES			
Liability for funds held in trust	292,230	-	-
Total liabilities	20,874,660	2,872,232	447
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,270,202	-	-
Deferred inflows related to other postemployment benefits	62,504	-	-
Total deferred inflows of resources	1,332,706	-	-
NET POSITION			
Net investment in capital assets	13,778,123	-	-
Restricted	292,867	-	-
Unrestricted	10,608,479	-	3,702,696
Total net position	24,679,469	-	3,702,696
Total liabilities, deferred inflows of resources, and net position	$ 46,886,835	$ 2,872,232	$ 3,703,143

Mount Rogers Community Services, Inc.	Inter-Company Eliminations	Total
$ 6,049	$ -	$ 1,593,570
4,598	-	52,187
117,967	(117,967)	10,227
-	-	6,270,222
-	-	122,761
67,983	-	1,067,918
196,597	(117,967)	9,116,885
-	-	2,106,726
7,205	-	7,205
-	-	7,615,774
-	-	2,093,054
2,752,017	-	5,353,317
2,759,222	-	17,176,076
-	-	292,230
2,955,819	(117,967)	26,585,191
-	-	1,270,202
-	-	62,504
-	-	1,332,706
1,675,210	-	15,453,333
-	-	292,867
1,243,668	-	15,554,843
2,918,878	-	31,301,043
$ 5,874,697	$ (117,967)	$ 59,218,940

MOUNT ROGERS COMMUNITY SERVICES

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2021

	Mount Rogers Community Services	Regional and Special Project Fiscal Agent
OPERATING REVENUES		
Third-party fees	$ 31,344,820	$ -
Contract sales	10,323,719	-
Contributions	37,693	-
Housing assistance payments	-	-
Health care benefit payments	-	-
Other income	426,581	-
Total operating revenues	42,132,813	-
OPERATING EXPENSES		
Personnel	37,352,183	150,064
Staff development	112,675	1,135
Facilities	2,225,695	19,503
Equipment/supplies	4,992,990	1,598
Travel	330,482	727
Contract services	6,691,172	3,611,149
Miscellaneous	359,862	401
Depreciation	1,414,341	-
Total operating expenses	53,479,400	3,784,577
Operating income (loss)	(11,346,587)	(3,784,577)
NONOPERATING REVENUE (EXPENSE)		
Interest income	129,057	-
Interest expense	(155,072)	-
Primary government/component unit transfers (to) from	(2,247,655)	-
Gain (loss) on sale/disposal of assets	(34,289)	-
Intergovernmental revenues:		
Commonwealth of Virginia	10,371,696	3,752,077
Federal Government	5,412,662	32,500
Local Governments	614,531	-
Total nonoperating revenue (expense)	14,090,930	3,784,577
Change in net position	2,744,343	-
NET POSITION		
Beginning of year	21,935,126	-
End of year	$ 24,679,469	$ -

Employee Benefit Trust	Mount Rogers Community Services, Inc.	Inter-Company Eliminations	Total
$ 62,997	$ -	$ -	$ 31,407,817
-	-	-	10,323,719
7,773	30,488	(30,488)	45,466
-	8,226	-	8,226
6,774,893	-	(6,774,893)	-
-	58,859	-	485,440
6,845,663	97,573	(6,805,381)	42,270,668
-	-	(6,774,893)	30,727,354
-	-	-	113,810
-	8,361	-	2,253,559
-	2,643	-	4,997,231
-	-	-	331,209
6,647,498	33,038	(30,488)	16,952,369
10,661	398	-	371,322
-	44,709	-	1,459,050
6,658,159	89,149	(6,805,381)	57,205,904
187,504	8,424	-	(14,935,236)
15,003	-	-	144,060
-	(4,597)	-	(159,669)
-	2,247,655	-	-
-	-	-	(34,289)
-	-	-	14,123,773
-	-	-	5,445,162
-	-	-	614,531
15,003	2,243,058	-	20,133,568
202,507	2,251,482	-	5,198,332
3,500,189	667,396	-	26,102,711
$ 3,702,696	$ 2,918,878	$ -	$ 31,301,043

MOUNT ROGERS COMMUNITY SERVICES

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

	Mount Rogers Community Services	Regional and Special Project Fiscal Agent
OPERATING ACTIVITIES		
Receipts from individuals served and users	$ 42,443,561	$ -
Cash paid to suppliers for goods and services	(14,375,624)	(3,760,746)
Cash paid to employees and for benefits	(37,001,746)	-
Net cash provided by (used in) operating activities	(8,933,809)	(3,760,746)
NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental revenues	18,784,719	5,668,372
Primary government/component unit transfers (to) from	(2,247,655)	-
Net cash provided by noncapital financing activities	16,537,064	5,668,372
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(988,312)	-
Proceeds from sale of assets	116,931	-
Security deposits received	-	-
Withdrawals from reserve accounts	60,759	-
Principal payments on borrowed funds	(277,771)	-
Proceeds from new debt	-	-
Primary government/component unit transfers (to) from	44,648	(23,831)
Interest expense	(157,732)	-
Net cash used in capital and related financing activities	(1,201,477)	(23,831)
INVESTING ACTIVITIES		
Interest income	129,057	-
Net cash provided by investing activities	129,057	-
Net increase in cash and cash equivalents	6,530,835	1,883,795
CASH AND CASH EQUIVALENTS		
Beginning of year	12,445,503	988,437
End of year	$ 18,976,338	$ 2,872,232

Employee Benefit Trust	Mount Rogers Community Services, Inc.	Total
$ 6,847,129	$ 97,573	$ 49,388,263
(6,673,613)	14,814	(24,795,169)
-	-	(37,001,746)
173,516	112,387	(12,408,652)
-	-	24,453,091
-	2,247,655	-
-	2,247,655	24,453,091
-	(3,860,945)	(4,849,257)
-	-	116,931
-	7,205	7,205
-	-	60,759
-	-	(277,771)
-	2,483,242	2,483,242
-	(20,817)	-
-	-	(157,732)
-	(1,391,315)	(2,616,623)
15,003	-	144,060
15,003	-	144,060
188,519	968,727	9,571,876
2,933,597	39,181	16,406,718
$ 3,122,116	$ 1,007,908	$ 25,978,594

MOUNT ROGERS COMMUNITY SERVICES

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

	Mount Rogers Community Services	Regional and Special Project Fiscal Agent
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 18,976,338	$ 2,872,232
Cash and cash equivalents, restricted	-	-
	$ 18,976,338	$ 2,872,232
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ (11,346,587)	$ (3,784,577)
Adjustments to reconcile to operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,414,341	-
Changes in:		
Accounts receivables	628,812	-
Prepaid expenses	45,600	-
Other receivables	(318,064)	-
Inventories	(161,981)	-
Deferred outflows of resources	(1,064,677)	-
Accounts payable	327,849	-
Accrued liabilities	(14,727)	-
Primary fund transfers (to) from	(23,831)	23,831
Accrued payroll and compensated absences	291,794	-
Net pension and OPEB liability	2,061,766	-
Deferred inflows of resources	(774,104)	-
Net cash provided by (used in) operating activities	$ (8,933,809)	$ (3,760,746)

	Employee Benefit Trust	Mount Rogers Community Services, Inc.	Total
	$ 3,122,116	$ 1,007,908	$ 25,978,594
	-	-	-
	$ 3,122,116	$ 1,007,908	$ 25,978,594
	$ 187,504	$ 8,424	$ (14,935,236)
	-	44,709	1,459,050
	1,466	-	630,278
	(15,901)	55,755	85,454
	-	-	(318,064)
	-	-	(161,981)
	-	-	(1,064,677)
	447	3,499	331,795
	-	-	(14,727)
	-	-	-
	-	-	291,794
	-	-	2,061,766
	-	-	(774,104)
	$ 173,516	$ 112,387	$ (12,408,652)

COMPLIANCE SECTION

BROWNEDWARDS
certified public accountants

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities*, *Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Mount Rogers Community Services (the "Board"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated January 28, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
January 28, 2022

BROWN EDWARDS
certified public accountants

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

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

Report on Compliance for the Major Federal Program

We have audited Mount Rogers Community Services' (the "Board") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Board's major federal program for the year ended June 30, 2021. The Board's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The Board's basic financial statements include the operations of Mount Rogers Community Services, Inc., which is the recipient of $8,226 in Housing and Urban Development tenant rent assistance funds. These federal awards are not included in the Board's schedule of expenditures of federal awards for the year ended June 30, 2021, which are audited in a separate engagement.

Management's Responsibility

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

Auditor's Responsibility

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

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

Report on Compliance for the Major Federal Program (Continued)

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
January 28, 2022

MOUNT ROGERS COMMUNITY SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through:			
Virginia Department of Behavioral Health and Developmental Services:			
Block Grants for Community Mental Health Services	93.958	N/A	$ 382,419
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	632,670
Substance Abuse & Mental Health Services – Projects of Regional & National Significance	93.243	N/A	141,457
COVID-19 Coronavirus Relief Fund	21.019	N/A	72,565
Emergency Grants to Address Mental and Substance Use Disorders during COVID-19	93.665	N/A	78,757
Opioid STR	93.788	N/A	1,209,103
Direct Grant:			
COVID-19 Provider Relief Funds	93.498	N/A	12,098
Section 223 Demonstration Programs to Improve Community Mental Health Services - Certified Community Behavioral Health Clinic Expansion Grants	93.829	N/A	1,788,397
Total Department of Health and Human Services			4,317,466
Department of Transportation:			
Direct Grant:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	187,708
Department of Justice:			
Direct Grant:			
Comprehensive Opioid, Stimulant, and Substance Abuse Program	16.838	N/A	200,542
Department of Education:			
Pass-Through:			
Virginia Department of Education:			
Special Education – Grants for Infants and Families	84.181	N/A	71,397
Total Expenditures of Federal Awards			$ 4,777,113

MOUNT ROGERS COMMUNITY SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Board under programs for the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Board.

Note B. Summary of Significant Accounting Policies

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

Note C. Subrecipients

The Board did not have any subrecipients for the year ended June 30, 2021.

Note D. Outstanding Loan Balances

At June 30, 2021, the Board had no outstanding loan balances requiring continuing disclosure.

Note E. Provider Relief Funds

The amount reported for Provider Relief Funds on this Schedule is based upon the September 2021 reporting due to Health and Human Services that covers all amounts received by the Agency through June 30, 2020.

MOUNT ROGERS COMMUNITY SERVICES

SUMMARY OF COMPLIANCE MATTERS
June 30, 2021

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

STATE COMPLIANCE MATTERS

Code of Virginia

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

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

MOUNT ROGERS COMMUNITY SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

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

Section 223 Demonstration Programs to Improve Community Mental Health Services - Certified Community Behavioral Health Clinic Expansion Grants	Assistance Listing #	93.829

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.

MOUNT ROGERS COMMUNITY SERVICES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021

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

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

Condition:

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

Criteria:

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

Cause:

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

Effect:

The report was not filed timely.

Recommendation:

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

Current Status:

Finding was not repeated during the current year audit.