Middle River Regional Jail Authority

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2022

ASSURANCE, TAX & ADVISORY SERVICES

MIDDLE RIVER REGIONAL JAIL AUTHORITY

AUTHORITY MEMBERS

Chairman
Michael G. Hamp, II, City Manager
City of Waynesboro, Virginia

Vice Chairman
Stephen King, County Administrator
County of Rockingham, Virginia

Timothy Fitzgerald, County Administrator
County of Augusta, Virginia

Leslie Beauregard, City Manager
City of Staunton, Virginia

Ande Banks, City Manager
City of Harrisonburg, Virginia

Cameron McCormick
Assistant City Manager
City of Waynesboro

Jennifer Whetzel
Deputy County Administrator
County of Augusta

Jessie Moyers
Director of Finance
City of Staunton

Larry Propst
Director of Finance
City of Harrisonburg

Patricia Davidson
Deputy County Administrator for Finance and Operations
County of Rockingham

Christopher Johnson
Sheriff
City of Waynesboro

Donald Smith
Sheriff
County of Augusta

Chris Hartless
Sheriff
City of Staunton

Kelly Warner
Police Chief
City of Harrisonburg

Bryan Hutcheson
Sheriff
County of Rockingham

MIDDLE RIVER REGIONAL JAIL AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board
Middle River Regional Jail Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, major fund, and the remaining fund information of the Middle River Regional Jail Authority (Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of business-type activities, major fund, and the remaining fund information of the Middle River Regional Jail Authority, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 51 – 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that account principles generally accepted in the United States of America require to be presented to supplement the basic financials statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The statements listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements listed in the table of contents as supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
December 7, 2022

BASIC FINANCIAL STATEMENTS

MIDDLE RIVER REGIONAL JAIL AUTHORITY — EXHIBIT 1

STATEMENT OF NET POSITION
June 30, 2022

	Business-type Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 16,090,332
Accounts receivable	42,327
Due from other governments	1,085,530
Restricted investments	3,149,803
Total current assets	20,367,992
Noncurrent Assets:	
Net pension asset	7,843,522
Right-to-use leased equipment, net	54,541
Capital assets, net	33,224,468
Total noncurrent assets	41,122,531
Total assets	61,490,523
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan	1,819,955
Other Postemployment Benefits	794,187
Total deferred outflows of resources	2,614,142
LIABILITIES	
Current Liabilities:	
Accounts payable	370,576
Accrued payroll	58,244
Accrued interest payable	194,104
Incurred but not reported claims	157,000
Total current liabilities	779,924
Noncurrent Liabilities:	
Due within one year:	
Compensated absences	148,852
Revenue bond	1,408,430
Lease payable	17,900
Due in more than one year:	
Compensated absences	446,557
Revenue bond, net	17,729,295
Other postemployment benefits liability	2,164,377
Lease payable	37,449
Total noncurrent liabilities	21,952,860
Total liabilities	22,732,784
DEFERRED INFLOWS OF RESOURCES	
Pension Plan	4,581,133
Other Postemployment Benefits	1,189,114
Total deferred inflows of resources	5,770,247
NET POSITION	
Net Position:	
Net investment in capital assets	14,085,935
Restricted for:	
Debt service	3,149,803
Self-insurance	2,220,410
Unrestricted	16,145,486
Total net position	$ 35,601,634

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
Year Ended June 30, 2022

	Business-type Activities
Operating Revenues:	
From member jurisdictions	$ 13,601,436
Other income	4,303
Recovered costs	549,161
Fees and charges for services	2,838,094
State compensation board	7,544,485
Per diem reimbursement	1,752,916
Total operating revenues	26,290,395
Operating Expenses:	
Salaries and wages	9,021,473
Fringe benefits	1,495,353
Claims paid	1,998,148
Contractual services	4,091,677
Administrative charges	22,157
Stop loss fees	31,517
Other charges	909,253
Materials and supplies	1,615,760
Depreciation and amortization	1,298,697
Total operating expenses	20,484,035
Net operating income	5,806,360
Nonoperating Revenues (Expenses):	
Other state grants	199,146
Interest income	77,538
Interest expense and other charges	(597,651)
Nonoperating expenses, net	(320,967)
Change in net position	5,485,393
Net Position, beginning of year	30,116,241
Net Position, end of year	$ 35,601,634

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2022

ASSETS	Enterprise Fund	Internal Service Fund	Total
Current Assets:			
Cash and cash equivalents	$ 13,694,169	$ 2,396,163	$ 16,090,332
Accounts receivable	42,327	-	42,327
Due from other governments	1,085,530	-	1,085,530
Restricted investments	3,149,803	-	3,149,803
Total current assets	17,971,829	2,396,163	20,367,992
Noncurrent Assets:			
Net pension asset	7,843,522	-	7,843,522
Right-to-use leased equipment, net	54,541	-	54,541
Capital assets, net	33,224,468	-	33,224,468
Total noncurrent assets	41,122,531	-	41,122,531
Total assets	59,094,360	2,396,163	61,490,523
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	1,819,955	-	1,819,955
Other Postemployment Benefits	794,187	-	794,187
Total deferred outflows of resources	2,614,142	-	2,614,142
LIABILITIES			
Current Liabilities:			
Accounts payable	351,823	18,753	370,576
Accrued payroll	58,244	-	58,244
Accrued interest payable	194,104	-	194,104
Incurred but not reported claims	-	157,000	157,000
Total current liabilities	604,171	175,753	779,924
Noncurrent Liabilities:			
Due within one year:			
Compensated absences	148,852	-	148,852
Revenue bond	1,408,430	-	1,408,430
Lease payable	17,900	-	17,900
Due in more than one year:			
Compensated absences	446,557	-	446,557
Revenue bond, net	17,729,295	-	17,729,295
Other postemployment benefits liability	2,164,377	-	2,164,377
Lease payable	37,449	-	37,449
Total noncurrent liabilities	21,952,860	-	21,952,860
Total liabilities	22,557,031	175,753	22,732,784
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	4,581,133	-	4,581,133
Other Postemployment Benefits	1,189,114	-	1,189,114
Total deferred inflows of resources	5,770,247	-	5,770,247
NET POSITION			
Net Position:			
Net investment in capital assets	14,085,935	-	14,085,935
Restricted for:			
Debt service	3,149,803	-	3,149,803
Self-insurance	-	2,220,410	2,220,410
Unrestricted	16,145,486	-	16,145,486
Total net position	$ 33,381,224	$ 2,220,410	$ 35,601,634

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION – PROPRIETARY FUNDS
Year Ended June 30, 2022

	Enterprise Fund	Internal Service Fund	Total
Operating Revenues:			
From member jurisdictions	$ 13,601,436	$ -	$ 13,601,436
Other income	-	4,303	4,303
Recovered costs	549,161	-	549,161
Fees and charges for services	1,115,499	1,722,595	2,838,094
State compensation board	7,544,485	-	7,544,485
Per diem reimbursement	1,752,916	-	1,752,916
Total operating revenues	24,563,497	1,726,898	26,290,395
Operating Expenses:			
Salaries and wages	9,021,473	-	9,021,473
Fringe benefits	1,495,353	-	1,495,353
Claims paid	-	1,998,148	1,998,148
Contractual services	4,091,677	-	4,091,677
Administrative charges	-	22,157	22,157
Stop loss fees	-	31,517	31,517
Other charges	909,253	-	909,253
Materials and supplies	1,615,760	-	1,615,760
Depreciation and amortization	1,298,697	-	1,298,697
Total operating expenses	18,432,213	2,051,822	20,484,035
Net operating income (loss)	6,131,284	(324,924)	5,806,360
Nonoperating Revenues (Expenses):			
Other state grants	199,146	-	199,146
Interest income	77,538	-	77,538
Interest expense and other charges	(597,651)	-	(597,651)
Nonoperating expenses, net	(320,967)	-	(320,967)
Change in net position	5,810,317	(324,924)	5,485,393
Net Position, beginning of year, as restated	27,570,907	2,545,334	30,116,241
Net Position, end of year	$ 33,381,224	$ 2,220,410	$ 35,601,634

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2022

	Enterprise Fund	Internal Service Fund	Total
Operating Activities:			
Receipts from customers and users	$ 27,366,599	$ 1,726,898	$ 29,093,497
Payments to suppliers	(6,726,238)	-	(6,726,238)
Payments to employees	(12,633,685)	-	(12,633,685)
Claims paid	-	(1,822,395)	(1,822,395)
Administrative and stop loss fees	-	(53,674)	(53,674)
Net cash provided by (used in) operating activities	8,006,676	(149,171)	7,857,505
Noncapital financing activities:			
Other state grants	199,146	-	-
Net cash provided by noncapital financing activities	199,146	-	-
Capital and Related Financing Activities:			
Acquisitions of property and equipment	(433,200)	-	(433,200)
Bond principal payment	(1,135,000)	-	(1,135,000)
Lease principal payment	(17,372)	-	(17,372)
Interest payments	(820,385)	-	(820,385)
Net cash used in capital and related financing activities	(2,405,957)	-	(2,405,957)
Investing Activities:			
Purchase of investments	(34,977)	-	(34,977)
Interest received	77,538	-	77,538
Net cash provided by investing activities	42,561	-	42,561
Change in cash and cash equivalents	5,842,426	(149,171)	5,693,255
Cash and Cash Equivalents, beginning of year, as restated	7,851,743	2,545,334	10,397,077
Cash and Cash Equivalents, end of year	$ 13,694,169	$ 2,396,163	$ 16,090,332
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used in) Operating Activities:			
Operating income (loss)	$ 6,131,284	$ (324,924)	$ 5,806,360
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,298,697	-	1,298,697
Pension expense	(1,360,277)	-	(1,360,277)
Other postemployment benefits expense	(424,073)	-	(424,073)
Changes in operating assets, deferred outflows of resources and liabilities:			
Decrease (increase) in:			
Accounts receivable and due from other governments	2,803,102	-	2,803,102
Deferred outflows of resources:			
Pension plan	(45,770)	-	(45,770)
Other postemployment benefits	(77,994)	-	(77,994)
Increase (decrease) in:			
Accounts payable	(109,548)	18,753	(90,795)
Accrued payroll	(91,290)	-	(91,290)
Claim incurred but not reported	-	157,000	157,000
Deposits held in escrow	(3,677)	-	(3,677)
Compensated absences	(113,778)	-	(113,778)
Net cash provided by (used in) operating activities	$ 8,006,676	$ (149,171)	$ 7,857,505

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
June 30, 2022

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	$ 1,216,348
NET POSITION	
Restricted for:	
Canteen purchases	$ 983,166
Inmate benefits	(12,812)
Inmates	245,994
Total net position	$ 1,216,348

MIDDLE RIVER REGIONAL JAIL AUTHORITY **EXHIBIT 7**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
Year Ended June 30, 2022

	Custodial Funds
ADDITIONS	
Contributions:	
Inmate	$ 1,072,133
Commissary	789,351
Telephone commission	471,675
Work release	399,400
Keep fees	322,048
Total contributions	3,054,607
Investment Earnings:	
Interest	1,435
Total investment earnings	1,435
Total additions	3,056,042
DEDUCTIONS	
Medical and Prescription Co-pays	74,475
Inmate Withdrawals and Allowances	148,778
Canteen Supplies	837,731
Inmate Adult Education	334,525
Inmate Library Costs	26,392
Cable/TV Service	10,029
Inmate Supplies/Capital Items	19,104
Miscellaneous	424,915
Telephone Commissions	471,675
Work Release	399,400
Keep Fees	322,048
Total deductions	3,069,072
Net decrease in fiduciary net position	(13,030)
Net Position, beginning	1,229,378
Net Position, ending	$ 1,216,348

See Notes to Financial Statements.

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Purpose

The Cities of Staunton and Waynesboro and the County of Augusta entered into an agreement dated June 25, 2001, to operate a regional jail facility created pursuant to the provisions of Section 52.1-91, *Code of Virginia* (1950), as amended, to construct, own and provide an adequate regional jail and to provide jail services to local governments participating in the Middle River Regional Jail Authority (Authority), which was created by Resolution of the participating local governments. The Authority expanded membership to the County of Rockingham and the City of Harrisonburg in an agreement effective July 1, 2015. Each of the three original Member Jurisdictions authorized the expansion of the Authority's membership. The additional members are treated as the current members with the same number of representatives on the Authority's Board and agreed upon entrance into the three year rolling average for allocation of net expenditures. Each of the localities appoints two members to the Authority Board. In addition to locality appointed members, the Sheriff of each participating locality is required to be appointed.

Note 2. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Authority is not presented as a discretely presented component unit of any of the participating jurisdictions in accordance with Governmental Accounting Standards Board (GASB). The Authority is not fiscally dependent on any one particular Member Jurisdiction, and none of the Member Jurisdictions appoint a voting majority. The Authority is a legally separate entity from the jurisdictions.

B. Basic Financial Statements

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

- Management's Discussion and Analysis (Management has elected not to prepare the Management's Discussion and Analysis in the current year)
- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Change in Net Position
  - Statement of Net Position – Proprietary Funds
  - Statement of Revenues, Expenses, and Change in Net Position – Proprietary Funds
  - Statement of Cash Flows – Proprietary Funds
  - Statement of Fiduciary Net Position – Fiduciary Funds
  - Statement of Changes in Fiduciary Net Position – Fiduciary Funds
  - Notes to Financial Statements
- Required Supplementary Information:
  - Schedule of Changes in Net Pension Asset and Related Ratios – Virginia Retirement System
  - Schedule of Contributions – Virginia Retirement System
  - Notes to Required Supplementary Information – Virginia Retirement System
  - Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios – Medical Insurance Program
  - Schedule of Employer Contributions – OPEB – Medical Insurance Program

Note 2. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

- Required Supplementary Information: (continued)
  - Schedule of Employer's Share of Net OPEB Liability – Group Life Insurance Program
  - Schedule of Employer Contributions – OPEB – Group Life Insurance Program
  - Notes to Required Supplementary Information – Other Postemployment Benefits

C. Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP). Accordingly, the Authority uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to Member Jurisdictions, bed rentals and state compensation board and per diem reimbursements. Operating expenses include the cost of services and administrative expenses.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Capital Assets

Capital assets of the Authority are stated at historical cost and depreciated on the straight-line basis (except for intangible right-to-use lease assets, the measurement of which is discussed in Note 1.E). Donated capital assets are stated at their acquisition value on the date donated. The capitalization threshold for assets is $5,000. There were no impaired capital assets at year end. Estimated useful lives, in years, for depreciable assets are as follows:

Assets	Years
Buildings	50
Vehicles and equipment	3 - 20
Right-to-use equipment	3-5

E. Leases

Lessee: The Authority is a lessee for a noncancellable lease of certain equipment. The Authority recognizes a lease liability and an intangible right-to-use leased asset (leased asset) in the government-wide financial statements. The Authority recognizes leased assets with an initial, individual value of $5,000 or more.

At the commencement of the lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over its useful life.

Note 2. Summary of Significant Accounting Policies (Continued)

E. Leases (Continued)

Key estimates and judgements related to leases include how the Authority determines (1) the discount rate is uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

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

Leased assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Authority recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of the lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Authority determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

At July 1, 2021 and June 30, 2022, the Authority did not have any lessor agreements as described above.

Note 2. Summary of Significant Accounting Policies (Continued)

F. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Restricted Investments

Investments, consisting primarily of money market funds, are stated at fair value.

H. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

I. Inventory

The Authority expenses all materials and supplies when purchased. Any items on hand at year-end are not material in amount and, therefore, are not shown in the financial statements.

J. Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave until an employee is eligible for retirement. The maximum payout for sick leave is limited to $5,000. Employees can earn a minimum 96 hours of vacation annually and can accumulate up to 384 hours of vacation depending on their years of service. Employees can also earn compensation time in lieu of overtime pay, which is accrued as a liability by the Authority.

K. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium.

L. Net Position

Net position represents 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. When the Authority has deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt they are also included in the component of net position.

Note 2. Summary of Significant Accounting Policies (Continued)

M. Net Position Flow Assumption

The Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond and 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 Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

N. 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 and so will not be recognized as an outflow of resources (expenditure) until then. These items relate to the pension and other postemployment benefits (OPEB) plans. See Notes 8 through 10 for details regarding these items.

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 and so will not be recognized as an inflow of resources (revenue) until that time. These items relate to the pension and OPEB plans. See Notes 8 through 10 for details regarding these items.

O. Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the Authority's retirement plan) is a multi-employer, agent plan. For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the 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.

P. Other Postemployment Benefits

Medical Insurance Program

The Medical Insurance Program is a single-employer plan. Differences between expected and actual experience and actuarial assumptions are amortized over the average of the expected remaining service lives of all employees that are covered through this plan, which is 8.19 years. Plan amendments are recognized immediately.

Note 2. Summary of Significant Accounting Policies (Continued)

P. Other Postemployment Benefits (Continued)

Group Life Insurance Program

The VRS Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the total GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Subsequent Events

The Authority has evaluated subsequent events through December 7, 2022, the date on which the financial statements were available to be issued.

Note 3. Fiscal Agent

The County of Augusta, Virginia (County) was the fiscal agent for the Authority through June 6, 2022. After June 6, 2022, the Authority no longer has a fiscal agent.

Note 4. Due From Other Governments

The amount due from other governments consists of receivable amounts from the Virginia Department of Corrections for compensation board salary reimbursement, state per diem fees, and medical services. At fiscal year-end, $1,085,530 was due from the Virginia Department of Corrections.

Note 5. Deposits and Investments

Deposits

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

Note 5. Deposits and Investments (Continued)

Custodial Credit Risk (Deposits)

This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to the Authority. The Authority requires all deposits to comply with the Act. At year end, none of the Authority's deposits were exposed to custodial credit risk.

Investments

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

Custodial Credit Risk (Investments)

The Authority's investment policy provides that securities purchased for the Authority shall be held by the Authority or by the Authority's custodian. If held by a custodian, the securities must be in the Authority's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the Authority. Further, if held by a custodian, the custodian must be a third party, not a counterparty (buyer or seller), to the transaction. At June 30, 2022, all of the Authority's investments were held in accordance with this policy.

Credit Risk of Debt Securities

The Authority's investment policy for credit risk is consistent with the investments allowed by statutes as detailed above.

The Authority's rated debt investments as of June 30, 2022 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Authority's Rated Debt Investments' Values

	Fair Quality Ratings
	AAAm
Money Market Mutual Funds	$ 3,149,803
Total	$ 3,149,803

Concentration of Credit Risk

At June 30, 2022, the Authority maintained money market mutual funds with U.S. Bank in the amount of $3,149,803. All other cash is maintained through a checking account through First Bank & Trust Co. These funds totaled $16,090,332 at June 30, 2022.

Interest Rate Risk

All Authority investments must be in securities maturing within five years.

Note 5. Deposits and Investments (Continued)

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Money Market Mutual Funds	$ 3,149,803	$ 3,149,803
	$ 3,149,803	$ 3,149,803

The Authority 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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2022:

- Money market funds of $3,149,803, which are valued using quoted market prices (Level 1 inputs).

Note 6. Capital Assets

A summary of changes in capital assets for the year follows:

	* Balance June 30, 2021	Increases	Decreases/ Transfer	Balance June 30, 2022
Capital assets not being depreciated:				
Land	$ 612,500	$ -	$ -	$ 612,500
Construction in progress	-	13,447	-	13,447
Total capital assets not being depreciated	612,500	13,447	-	625,947
Capital assets being depreciated:				
Buildings	45,279,812	-	-	45,279,812
Vehicles and equipment	5,003,266	419,753	-	5,423,019
Right-to-use leased equipment	72,721	-	-	72,721
Total capital assets being depreciated	50,355,799	419,753	-	50,775,552
Less accumulated depreciation for:				
Buildings	(13,810,421)	(907,911)	-	(14,718,332)
Vehicles and equipment	(3,013,372)	(372,606)	-	(3,385,978)
Right-to-use leased equipment	-	(18,180)	-	(18,180)
Total accumulated depreciation	(16,823,793)	(1,298,697)	-	(18,122,490)
Total capital assets being depreciated, net	33,532,006	(878,944)	-	32,653,062
Total capital assets, net	$ 34,144,506	$ (865,497)	$ -	$ 33,279,009

*The beginning balance was restated for recording of right-to-use leased assets as of July 1 in acordance with GASB 87, *Leases.*

Note 7. Long-Term Obligations

The following is a summary of changes in long-term obligation transactions for the year ended June 30, 2022:

	* Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Amount Due Within One Year
General obligation bond	$ 17,980,000	$ -	$ 1,135,000	$ 16,845,000	$ 1,200,000
Premium on bond issue	2,501,155	-	208,430	2,292,725	208,430
Total general obligation bond and premium	20,481,155	-	1,343,430	19,137,725	1,408,430
Compensated absences	709,187	278,154	391,932	595,409	148,852
Lease payable	72,721	-	17,372	55,349	17,900
Total long-term liabilities	$ 21,263,063	$ 278,154	$ 1,752,734	$ 19,788,483	$ 1,575,182

*The beginning balance was restated for recording of leases payable as of July 1 in acordance with GASB 87, *Leases.*

Leases Payable

During the current fiscal year, the Authority had a lease agreement with three years remaining as lessee for equipment. In accordance with the implementation of GASB Statement 87, an initial lease liability was recorded in the amount of $72,721 during the current fiscal year. As of June 30, 2022, the value of the lease liability was $55,349. The Authority is required to make monthly principal and interest payments of $1,610. The lease has an interest rate of 3.00%. The equipment has a three year remaining estimated useful life. The value of the right-to-use leased asset as of the end of the current fiscal year was $72,721 and had accumulated amortization of $18,180.

	Lease	
Year Ending June 30,	Principal	Interest
2023	$ 17,900	$ 1,416
2024	18,444	871
2025	19,005	310
Total	$ 55,349	$ 2,597

Note 7. Long-Term Obligations (Continued)

Annual requirement to amortize long-term obligations are as follows:

	Revenue Refunding Bond	
Year Ending June 30,	Principal	Interest
2023	$ 1,200,000	$ 758,606
2024	1,250,000	703,525
2025	1,310,000	645,625
2026	1,380,000	576,694
2027	1,450,000	506,350
2028-2032	8,345,000	144,539
2033	1,910,000	46,069
Total	$ 16,845,000	$ 3,381,408

The following provides details on long-term obligations as of June 30, 2022:

On November 19, 2014, the Authority issued Jail Facility Revenue Refunding Bonds, Series 2014 through the Virginia Resources Authority (VRA) in the amount of $22,905,000 with a maturity date of October 1, 2032. Repayment of the bond is due in annual installments ranging from $1,200,000 through $1,910,000 plus semi-annual interest ranging from 3.43% to 5.13% through October 1, 2032. The bond was issued at a premium of $3,543,302 which will be amortized over the life of the bond. U.S. Bank is Trustee for the bond funds and holds a debt service reserve and a portion of annual principal and interest payments in trust. At June 30, 2022, $3,149,803 was held in trust at U.S. Bank. Principal outstanding at June 30, 2022 totaled $16,845,000. According to the rate covenant as provided in the VRA Bond documents, the Authority shall fix and collect rates, fees and other charges for the use of and for services furnished by the Authority so that in each fiscal year the net revenues available for debt service will equal at least 100% of the amount required during the fiscal year to pay the principal of and interest on the local bond. At June 30, 2022, the debt coverage ratio is 4.16.

Fiscal Year June 30,	Operating Revenue	Operating Expenses Excluding Depreciation	Net Available Revenue	Annual Debt Service			Coverage Ratio
				Principal	Interest	Total	
2022	$ 24,560,954	$ 17,365,029	$ 7,195,925	$ 1,135,000	$ 595,707	$ 1,730,707	4.16

Note 8. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plans

Administering Entity: Virginia Retirement System (System)

A. <u>Plan Description</u>

All full-time, salaried permanent (professional) employees of the Authority are automatically covered by the 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 Virgini*a, 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 set out in the table below:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About Plan 2** Same as Plan 1.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Eligible Members Members are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.	**Eligible Members** Members are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**Eligible Members** Members are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees.* • School division employees (teachers). • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
Hybrid Opt-In Election Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	*Hybrid Opt-In Election* Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Non-Eligible Members* Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** *Defined Benefit Component* Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. *Defined Contribution Component* Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** *Defined Benefit Component* Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. *Defined Contribution Component* Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Vesting (Continued) *Defined Contribution Component (Continued)* • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required, except as governed by law.
Calculating the Benefit The Basic Benefit is determined using the average final compensation, service credit, and plan multiplier. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component** See definition under Plan 1. **Defined Contribution Component** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Service Retirement Multiplier ***VRS:*** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** ***VRS:*** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** *Defined Benefit Component* ***VRS:*** The retirement multiplier for the defined benefit component is 1.0%. For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	**Sheriffs and regional jail superintendents:** Same as Plan 1.	**Sheriffs and regional jail superintendents:** Not applicable.
Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Political subdivision hazardous duty employees:** Same as Plan 1.	**Political subdivision hazardous duty employees:** Not applicable. *Defined Contribution Component* Not applicable.
Normal Retirement Age ***VRS:*** Age 65. **Political subdivision hazardous duty employees:** Age 60.	**Normal Retirement Age** ***VRS:*** Normal Social Security retirement age. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** *Defined Benefit Component* ***VRS:*** Same as Plan 2. **Political subdivision hazardous duty employees:** Not applicable. *Defined Contribution Component* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Unreduced Retirement Eligibility ***VRS:*** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	**Earliest Unreduced Retirement Eligibility** ***VRS:*** Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90.	**Earliest Unreduced Retirement Eligibility** *Defined Benefit Component* ***VRS:*** Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90.
Political subdivision hazardous duty employees: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	**Political subdivision hazardous duty employees:** Same as Plan 1.	**Political subdivision hazardous duty employees:** Not applicable. *Defined Contribution Component* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility ***VRS:*** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	**Earliest Reduced Retirement Eligibility** ***VRS:*** Age 60 with at least five years (60 months) of service credit.	**Earliest Reduced Retirement Eligibility** *Defined Benefit Component* ***VRS:*** Age 60 with at least five years (60 months) of service credit.
Political subdivision hazardous duty employees: Age 50 with at least five years of service credit.	**Political subdivision hazardous duty employees:** Same as Plan 1.	**Political subdivisions hazardous duty employees:** Not applicable. *Defined Contribution Component* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** *Defined Benefit Component* Same as Plan 2. *Defined Contribution Component* Not applicable.
Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	*Eligibility:* Same as Plan 1.	*Eligibility:* Same as Plan 1 and Plan 2.

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Exceptions to COLA Effective Dates: **School Division (Teachers) and Political Subdivision Employees:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. • The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	*Exceptions to COLA Effective Dates:* **School Division (Teachers) and Political Subdivision Employees:** Same as Plan 1.	*Exceptions to COLA Effective Dates:* **School Division (Teachers) and Political Subdivision Employees:** Same as Plan 1 and Plan 2.

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage	**Disability Coverage**	**Disability Coverage**
Political subdivision employees: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	**Political subdivision employees:** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.	Employees of political subdivisions and school divisions (teachers), including Plan 1 and Plan 2 opt-ins, participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service	**Purchase of Prior Service**	**Purchase of Prior Service**
Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Same as Plan 1.	*Defined Benefit Component* Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. *Defined Contribution Component* Not applicable.

Note 8. Pension Plan (Continued)

B. Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries current receiving benefits	35
Inactive members:	
Vested	16
Non-vested	81
Active elsewhere in VRS	78
Total inactive members	175
Active members	161
Total covered employees	371

C. Contributions

The contribution requirement for active employees is governed by Section 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 Authority's contractually required contribution rate for the year ended June 30, 2022, was 12.08% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $897,995 and $894,763 for the years ended June 30, 2022 and 2021, respectively.

D. Net Pension Asset

The Authority's net pension asset 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 (asset) was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

Note 8. Pension Plan (Continued)

E. Actuarial Assumptions

The total pension liability for the Authority's retirement plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation:	
General employees	3.50% - 5.35%
Public safety employees with hazardous duty benefits	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

General Employees

Mortality Rates:	15% of deaths are assumed to be service-related.
Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

Note 8. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

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

Public Safety Employees with Hazardous Duty Benefits

Mortality Rates:	45% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward one year.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year; 1.0% increase compounded from ages 70 to 90; females set forward three years.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward two years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Note 8. Pension Plan (Continued)

F. 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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Note 8. Pension Plan (Continued)

G. Discount Rate

The discount rate used to measure the total pension liabilities 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, 2021, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to 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 asset.

H. Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances at June 30, 2020	$ 16,232,495	$ 19,100,166	$ (2,867,671)
Changes for the year:			
Service cost	1,308,814	-	1,308,814
Interest	1,081,983	-	1,081,983
Changes of assumptions	938,757	-	938,757
Difference between expected and actual experience	(1,658,978)	-	(1,658,978)
Contributions – employer	-	894,763	(894,763)
Contributions – employee	-	365,336	(365,336)
Net investment income	-	5,398,025	(5,398,025)
Benefit payments, including refunds of employee contributions	(406,224)	(406,224)	-
Administrative expense	-	(12,217)	12,217
Other	-	520	(520)
Net changes	1,264,352	6,240,203	(4,975,851)
Balances at June 30, 2021	$ 17,496,847	$ 25,340,369	$ (7,843,522)

Note 8. Pension Plan (Continued)

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

The following presents the net pension asset of the Authority, using the discount rate of 6.75%, as well as what the Authority's net pension assets would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Plan's net pension asset	$ (5,063,613)	$ (7,843,522)	$ (10,085,362)

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

For the year ended June 30, 2022, the Authority recognized pension expense of $(522,341). At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 947	$ (1,825,406)
Changes in assumptions	921,013	(18,979)
Net difference between projected and actual earnings on pension plan investments	-	(2,736,748)
Employer contributions subsequent to the measurement date	897,995	-
Total	$ 1,819,955	$ (4,581,133)

The $897,995 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2023	$ (1,019,440)
2024	(902,775)
2025	(817,561)
2026	(919,397)
	$ (3,659,173)

Note 8. Pension Plan (Continued)

K. Pension Plan Data

Detailed information about the pension plans' fiduciary net position are available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 9. Other Postemployment Benefits—Medical Insurance Program

A. Plan Description

The Authority's defined benefit other postemployment benefit (OPEB) – medical insurance plan provides OPEB for all permanent full-time general and public safety employees of the Authority. The plan was established by the Authority's Board and any amendments to the plan must be approved by the Board. This plan is a single-employer defined benefit OPEB plan administered by the Authority. No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75. This plan does not issue stand-alone financial reports.

The Authority offers its employees the option to participate in the group health insurance program offered to other employees upon retirement. Employees who retire after June 30, 1997, are 55 years of age, and were employed for at least 10 years of continuous service immediately prior to retirement are eligible to remain enrolled in the health insurance group plan and continue to have the premiums paid for health insurance coverage subject to specific terms. The Authority will pay 75% of the monthly premium, not to exceed $2,500 per fiscal year. Retirees shall have participated in the group insurance program for the five years preceding retirement. Full cost of dependent coverage will be the responsibility of the retired employee. Eligibility for this benefit terminates at the time the retiree obtains other health coverage or reaches the age of 65. Should an employee be granted full retirement by VRS and/or Social Security because of disability, he/she will be eligible to receive the payments made by the Authority for retirees regardless of age if he/she has been employed by the Authority for at least 10 years immediately prior to the disability. The Authority reserves the right to change the terms of the retirees' health insurance coverage at any time, including the right to terminate any or all coverage provided to retirees. Eligibility conditions were revised as of July 1, 2019 to be based upon a retiree's attainment of age 50 as well as their eligibility to receive full or reduced retirement under the VRS.

B. Employees Covered by Benefit Terms

At July 1, 2021, the following employees were covered by the benefit terms:

	Number
Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	159
Total	162

Note 9. Other Postemployment Benefits—Medical Insurance Program (Continued)

C. Total Medical Insurance Program OPEB Liability

The Authority's total Medical Insurance OPEB liability of $1,740,000 was measured as of July 1, 2021, and was determined by an actuarial valuation as of July 1, 2021.

D. Actuarial Assumptions and Other Inputs

The total Medical Insurance Program OPEB liabilities were based on an actuarial valuation as of July 1, 2021, using the Entry Age Normal actuarial cost method and the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.50%
Discount rate	1.92%
Healthcare cost trend rates	6.00% for fiscal year end 2022, decreasing 0.25% per year to an ultimate rate of 5.00%
Retirees' share of benefit-related costs	Increase each year by the assumed Medical Trend Rate
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021

The discount rate has been set equal to 1.92% and represents the Municipal GO AA 20-year yield curve rate as of the measurement date.

E. Changes in the Total Medical Insurance OPEB Liability

	Increase (Decrease)		
	Total Medical OPEB Liability	Plan Fiduciary Net Position	Net Medical OPEB Liability
Balance at July 1, 2021	$ 3,116,000	$ -	$ 3,116,000
Changes for the year:			
Service cost	256,000	-	256,000
Interest	82,000	-	82,000
Differences between expected and actual experience	(1,137,000)	-	(1,137,000)
Contributions - employer	-	23,000	(23,000)
Benefit payments	(23,000)	(23,000)	-
Changes of benefit terms	(760,000)	-	(760,000)
Assumption changes	206,000	-	206,000
Net changes	(1,376,000)	-	(1,376,000)
Balance at June 30, 2022	$ 1,740,000	$ -	$ 1,740,000

Note 9. Other Postemployment Benefits—Medical Insurance Program (Continued)

F. Sensitivity of the Total Medical Insurance OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority calculated using the stated discount rate, as well as what the Authority's total Medical Insurance OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.92%) or 1-percentage-point higher (2.92%) than the current discount rate:

	1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
Authority total OPEB liability	$ 1,975,000	$ 1,740,000	$ 1,535,000

G. Sensitivity of the Total Medical Insurance OPEB Liability to Changes in Healthcare Cost Trend Rate

The following represents the total Medical Insurance OPEB liability of the Authority calculated using the stated trend rate, as well as what the Authority's total Medical Insurance OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current trend rate:

	1% Decrease (5.00%)	Current Trend Rate (6.00%)	1% Increase (7.00%)
Authority total OPEB liability	$ 1,469,000	$ 1,740,000	$ 2,073,000

H. Medical Insurance OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical Insurance OPEB

For the year ended June 30, 2022, the Authority recognized Medical Insurance OPEB expense of $460,000.

For the year ended June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Medical Insurance OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 169,000	$ (998,000)
Changes of assumptions	456,000	(22,000)
Employer contributions subsequent to measurement date	36,039	-
Total	$ 661,039	$ (1,020,000)

Note 9. Other Postemployment Benefits—Medical Insurance Program (Continued)

H. Medical Insurance OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical Insurance OPEB (Continued)

The $36,039 reported as deferred outflows of resources related to the Medical Insurance OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net Medical Insurance OPEB liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Medical Insurance OPEB will be recognized in the Medical Insurance OPEB expense in future reporting periods as follows:

Year Ending June 30,		Amount
2023	$	(39,000)
2024		(38,000)
2025		(39,000)
2026		(39,000)
2027		(40,000)
Thereafter		(200,000)
Total	$	(395,000)

Note 10. Other Postemployment Benefits—Group Life Insurance Program

A. Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by the VRS Group Life Insurance Program (GLI) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the 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 OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.
Benefit Amounts The benefits payable under the GLI have several components. • Natural Death Benefit: The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit: The accidental death benefit is double the natural death benefit. • Other Benefit Provisions: In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Seatbelt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,722 as of June 30, 2022.

Note 10. Other Postemployment Benefits—Group Life Insurance Program (Continued)

B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Authority were $40,181 and $40,636 for the years ended June 30, 2022 and 2021, respectively.

C. GLI OPEB Liability, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2022, the Authority reported a liability of $424,377 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employers' proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Authority's proportion was 0.03645% as compared to 0.03698% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of $25,819. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 48,402	$ (3,234)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(101,290)
Change in assumptions	23,396	(58,064)
Changes in proportionate share	21,169	(6,526)
Employer contributions subsequent to the measurement date	40,181	-
Total	$ 133,148	$ (169,114)

Note 10. Other Postemployment Benefits—Group Life Insurance Program (Continued)

C. GLI OPEB Liability, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

The $40,181 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2023	$ (12,473)
2024	(10,234)
2025	(14,698)
2026	(31,703)
2027	(7,039)
Total	$ (76,147)

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation:	
General employees	3.50% - 5.35%
Public safety employees with hazardous duty benefits	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality Rates – General Employees

Pre-retirement:	Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Note 10. Other Postemployment Benefits—Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – General Employees (Continued)

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

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

Mortality Rates – Hazardous Duty Employees

Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110$ of rates for males and females set forward 2 years.
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Note 10. Other Postemployment Benefits—Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – Hazardous Duty Employees (Continued)

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and services to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

E. Net GLI OPEB Liability

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

	Group Life Insurance OPEB Program
Total GLI OPEB liability	$ 3,577,346
Plan fiduciary net position	2,413,074
GLI Net OPEB liability	$ 1,164,272
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.45%

Note 10. Other Postemployment Benefits—Group Life Insurance Program (Continued)

E. Net GLI OPEB Liability (Continued)

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

F. Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Note 10. Other Postemployment Benefits—Group Life Insurance Program (Continued)

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, the rate contributed by the participating employers for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

H. Sensitivity of the Participating Employers' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority net GLI OPEB liability	$ 620,030	$ 424,377	$ 266,379

I. GLI Fiduciary Net Position

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

Note 11. Risk Management

Auto, Liability and Workers' Compensation Insurance

The Authority is a member of the Virginia Association of Counties Risk Pool (VACorp) for all risks of losses. This workers' compensation program is administered by a servicing contractor, which furnishes claims review and processing.

Note 11. Risk Management (Continued)

Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays VACorp contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of VACorp and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, VACorp may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority also participates in the VaRisk2, a group liability self insurance plan, administered by the Commonwealth of Virginia, Department of General Services, Division of Risk Management. The Authority pays an annual premium for its public officials general liability insurance to this public entity risk pool currently operating as a common risk management and insurance program for participating governments. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

The Authority continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Beginning in fiscal year 2022, the Authority revised its health insurance plan to fully retain the associated risk. The risk financing is accounted for in the health benefits funds. Premiums are paid for all full-time employees of the Authority to a claims administrator who processes all claims.

Liabilities are reported when it is possible that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include any amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering recent settlement trends including frequency and amount of payouts.

<u>Health Insurance</u>

Authority employees and employee dependents are eligible for medical benefits from a health insurance program administered by the County of Augusta. The Authority retains a portion of the risks through a self-insurance program and have also purchased insurance to transfer other risks to outside parties. There have been no significant reductions in insurance coverage during the past year. Funding is provided by charges to the Authority, employees, and retirees. The program is supplemented by stop loss protection, which limits the Authority's annual liability.

Note 12. Contingency

The Authority is a defendant in various legal matters generally incidental to its business. It is management's opinion that the financial position of the Authority will not be materially affected by the ultimate resolution of litigation pending or threatened at June 30, 2022.

The Authority has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

Note 13. Pending GASB Statements

At June 30, 2022, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

GASB Statement No. 91, *Conduit Debt Obligation*, will provide a single method of reporting conduit debt obligations by issuer and eliminate diversity in practice associate with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 will be effective for the fiscal years beginning after December 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will address accounting and financial reporting implications that result from the replacement of an interbank offered rate-most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Portions of Statement No. 93 will be effective for fiscal years beginning after June 15, 2021 and December 31, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), and provide guidance for accounting and financial reporting for availability payment arrangements (APAs). Statement No. 94 will be effective for the fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based information Technology Arrangements*, will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 99, *Omnibus 2022*, provides guidance to enhance comparability in accounting and financial reporting for derivative instruments, leases, financial guarantees, and a wide range of other accounting and financial reporting issues that have been identified during the implementation and application of certain GASB statements. The requirements related to GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and terminology updates related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* are effective upon issuance. The requirements related to GASB Statement No. 87, *Leases*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* will be effective for the Authority beginning with its year ending June 30, 2023. The requirements related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* will be effective for the Authority beginning with its year ending June 30, 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*, prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. Statement 100 will be effective for the Authority beginning with its year ending June 30, 2024.

Note 13. Pending GASB Statements (Continued)

GASB Statement No. 101, *Compensated Absences*, provides guidance to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 will be effective for the Authority beginning with its year ending June 30, 2025.

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

Note 14. Restatement

As of June 30, 2021, the Authority restated the Proprietary fund balance as a result of the breakout of the Internal Service Fund. The following adjustments have been made

	Enterprise Fund	Internal Service Fund
Net position, as originally reported, July 1, 2021	$ 30,116,241	$ -
Net adjustment as a result of the implementation of the Internal Service Fund	(2,545,334)	2,545,334
Net position, as restated, July 1, 2021	$ 27,570,907	$ 2,545,334

REQUIRED SUPPLEMENTARY INFORMATION

MIDDLE RIVER REGIONAL JAIL AUTHORITY — EXHIBIT 8

SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,							
	2014	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability								
Service cost	$ 1,088,683	$ 1,081,998	$ 1,150,730	$ 1,234,668	$ 1,289,668	$ 1,321,628	$ 1,439,296	$ 1,308,814
Interest	444,658	542,543	620,835	686,312	784,376	874,342	978,894	1,081,983
Changes of benefit terms	-	-	-	(182,574)	-	-	-	-
Difference between expected and actual experience	-	(321,907)	(475,700)	9,127	(541,692)	(345,766)	(477,619)	(1,658,978)
Changes of assumptions	-	-	-	-	-	506,699	-	938,757
Benefit payments, including refunds of employee contributions	(153,313)	(116,657)	(251,709)	(469,258)	(223,956)	(270,305)	(420,424)	(406,224)
Net change in total pension liability	1,380,028	1,185,977	1,044,156	1,278,275	1,308,396	2,086,598	1,520,147	1,264,352
Total pension liability - beginning	6,428,918	7,808,946	8,994,923	10,039,079	11,317,354	12,625,750	14,712,348	16,232,495
Total pension liability - ending (a)	$ 7,808,946	$ 8,994,923	$ 10,039,079	$ 11,317,354	$ 12,625,750	$ 14,712,348	$ 16,232,495	$ 17,496,847
Plan Fiduciary Net Position								
Contributions - employer	$ 763,721	$ 778,228	$ 825,943	$ 781,150	$ 840,802	$ 871,612	$ 913,063	$ 894,763
Contributions - employee	269,134	279,945	297,368	319,765	351,241	355,909	371,865	365,336
Net investment income	1,205,451	451,289	215,679	1,477,150	1,051,416	1,113,039	358,880	5,398,025
Benefit payments, including refunds of employee contributions	(153,313)	(116,657)	(251,709)	(469,258)	(223,956)	(270,305)	(420,424)	(406,224)
Administrative expense	(5,674)	(5,141)	(5,984)	(7,751)	(8,092)	(9,605)	(10,863)	(12,217)
Other	63	(98)	(85)	(1,350)	(982)	(714)	(431)	520
Net change in plan fiduciary net position	2,079,382	1,387,566	1,081,212	2,099,706	2,010,429	2,059,936	1,212,090	6,240,203
Plan fiduciary net position - beginning	7,169,845	9,249,227	10,636,793	11,718,005	13,817,711	15,828,140	17,888,076	19,100,166
Plan fiduciary net position - ending (b)	$ 9,249,227	$ 10,636,793	$ 11,718,005	$ 13,817,711	$ 15,828,140	$ 17,888,076	$ 19,100,166	$ 25,340,369
Authority's net pension asset - ending (a) - (b)	$(1,440,281)	$ (1,641,870)	$ (1,678,926)	$ (2,500,357)	$ (3,202,390)	$ (3,175,728)	$ (2,867,671)	$ (7,843,522)
Plan fiduciary net position as a percentage of the total pension liability	118.44%	118.25%	116.72%	122.09%	125.36%	121.59%	117.67%	144.83%
Covered payroll	$ 5,385,903	$ 5,623,035	$ 5,967,796	$ 6,397,625	$ 6,886,175	$ 7,185,589	$ 7,527,312	$ 7,406,978
Authority's net pension asset as a percentage of covered payroll	26.74%	29.20%	28.13%	39.08%	46.50%	44.20%	38.10%	105.89%

Note to Schedule:

MIDDLE RIVER REGIONAL JAIL AUTHORITY EXHIBIT 9

SCHEDULE OF CONTRIBUTIONS –VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution (CRC)	$ 763,721	$ 778,228	$ 825,943	$ 781,150	$ 840,802	$ 871,612	$ 913,063	$ 894,763	$ 897,995
Contributions in relation to the CRC	763,721	778,228	825,943	781,150	840,802	871,612	913,063	894,763	897,995
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 5,385,903	$ 5,623,035	$ 5,967,796	$ 6,397,625	$ 6,886,175	$ 7,185,589	$ 7,527,312	$ 7,406,978	$ 7,433,735
Contributions as a percentage of covered payroll	14.18%	13.84%	13.84%	12.21%	12.21%	12.13%	12.13%	12.08%	12.08%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2022

Note 1. Changes of Benefit Terms

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

General Employees

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

Note 2. Changes of Assumptions (Continued)

Public Safety Employees with Hazardous Duty Benefits

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changes from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Local's Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS – MEDICAL INSURANCE PROGRAM

	Fiscal Year June 30,				
	2017	2018	2019	2020	2021
Total OPEB liability:					
Service cost	$ 94,000	$ 96,000	$ 80,000	$ 215,000	$ 256,000
Interest	56,000	56,000	56,000	87,000	82,000
Changes of benefit terms	-	-	603,000	-	(760,000)
Differences between expected and actual experience	-	14,000	248,000	5,000	(1,137,000)
Changes of assumptions or other inputs	-	(38,000)	142,000	244,000	206,000
Contributions - employer	(26,000)	(252,000)	(53,000)	3,000	(23,000)
Net change in total OPEB liability	124,000	(124,000)	1,076,000	554,000	(1,376,000)
Total OPEB liability, beginning	1,486,000	1,610,000	1,486,000	2,562,000	3,116,000
Total Medical Insurance OPEB liability, ending	$ 1,610,000	$ 1,486,000	$ 2,562,000	$ 3,116,000	$ 1,740,000
Covered payroll	$ 6,264,999	$ 6,265,000	$ 7,787,000	$ 7,787,000	$ 7,834,000
Total OPEB liability as a percentage of covered payroll	25.70%	23.72%	32.90%	40.02%	22.21%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years which information is available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB – MEDICAL INSURANCE PROGRAM

	Fiscal Year June 30, 2017	2018	2019	2020	2021	2022
Contractually required contribution (CRC)	$ 26,000	$ 252,000	$ 53,000	$ 3,000	$ 23,000	$ 36,039
Contributions in relation to the CRC	26,000	252,000	53,000	3,000	23,000	36,039
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 6,264,999	$ 6,265,000	$ 7,787,000	$ 7,787,000	$ 7,834,000	$ 7,441,000
Contributions as a percentage of covered payroll	0.42%	4.02%	0.68%	0.04%	0.29%	0.48%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

MIDDLE RIVER REGIONAL JAIL AUTHORITY — EXHIBIT 12

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,				
	2017	2018	2019	2020	2021
Employer's proportion of the net GLI OPEB liability	0.03489%	0.03650%	0.03674%	0.03698%	0.03645%
Employer's proportionate share of the net GLI OPEB liability	$ 525,535	$ 554,535	$ 597,858	$ 617,135	$ 424,377
Employer's covered payroll	6,435,577	6,934,198	7,202,439	7,610,991	7,525,256
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.17%	8.00%	8.30%	8.11%	5.64%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%	52.00%	52.64%	67.45%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution (CRC)	$ 25,458	$ 25,861	$ 27,006	$ 28,735	$ 33,465	$ 36,090	$ 37,453	$ 39,578	$ 40,636	$ 40,181
Contributions in relation to the CRC	25,458	25,861	27,006	28,735	33,465	36,090	37,453	39,578	40,636	40,181
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 5,303,687	$ 5,387,681	$ 5,626,315	$ 5,986,407	$ 6,435,577	$ 6,934,198	$ 7,202,439	$ 7,610,991	$ 7,525,256	$ 7,440,870
Contributions as a percentage of covered payroll	0.48%	0.48%	0.48%	0.48%	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2022

Note 1. Medical Insurance Program

A. Changes of Benefit Terms

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

B. Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

2022	1.92%
2021	2.45%
2020	3.13%

Note 2. Group Life Insurance Program

A. Changes of Benefit Terms

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

B. Changes of Assumptions

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

General Employees

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

Note 2. Group Life Insurance Program (Continued)

B. Changes of Assumptions (Continued)

Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and services to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
June 30, 2022

	Custodial Funds					
	Inmate Commissary Account	Inmate Account	Phone Account	Work Release Account	Inmate Daily Fee Account	Total
ASSETS						
Cash and Cash Equivalents	$ 983,166	$ (21,949)	$ 103,336	$ 142,658	$ 9,137	$ 1,216,348
Total assets	$ 983,166	$ (21,949)	$ 103,336	$ 142,658	$ 9,137	$ 1,216,348
NET POSITION						
Restricted for:						
Canteen purchase	$ 983,166	$ -	$ -	$ -	$ -	$ 983,166
Inmate benefits	-	(21,949)	-	-	9,137	(12,812)
Inmates	-	-	103,336	142,658	-	245,994
Total net position	$ 983,166	$ (21,949)	$ 103,336	$ 142,658	$ 9,137	$ 1,216,348

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
Year Ended June 30, 2022

	Custodial Funds					
	Inmate Commissary Account	Inmate Account	Phone Account	Work Release Account	Inmate Daily Fee Account	Total
ADDITIONS						
Contributions:						
Inmate	$ 1,072,133	$ -	$ -	$ -	$ -	$ 1,072,133
Commissary	-	789,351	-	-	-	789,351
Telephone commission	-	-	471,675	-	-	471,675
Work release	-	-	-	399,400	-	399,400
Keep fees	-	-	-	-	322,048	322,048
Total contributions	1,072,133	789,351	471,675	399,400	322,048	3,054,607
Investment Earnings:						
Interest	-	1,435	-	-	-	1,435
Total additions	1,072,133	790,786	471,675	399,400	322,048	3,056,042
DEDUCTIONS						
Medical and Prescription Co-pays	74,475	-	-	-	-	74,475
Inmate Withdrawals and Allowances	148,778	-	-	-	-	148,778
Canteen Supplies	783,123	54,608	-	-	-	837,731
Inmate Adult Education	-	334,525	-	-	-	334,525
Inmate Library Costs	-	26,392	-	-	-	26,392
Cable/TV Service	-	10,029	-	-	-	10,029
Inmate Supplies/Capital Items	-	19,104	-	-	-	19,104
Miscellaneous	6,155	418,760	-	-	-	424,915
Telephone Commissions	-	-	471,675	-	-	471,675
Work Release	-	-	-	399,400	-	399,400
Keep Fees	-	-	-	-	322,048	322,048
Total deductions	1,012,531	863,418	471,675	399,400	322,048	3,069,072
Net increase (decrease) in fiduciary net position	59,602	(72,632)	-	-	-	(13,030)
Net Position, beginning	923,564	50,683	103,336	142,658	9,137	1,229,378
Net Position, ending	$ 983,166	$ (21,949)	$ 103,336	$ 142,658	$ 9,137	$ 1,216,348

COMPLIANCE SECTION

**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
Middle River Regional Jail Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities, major fund, and the remaining fund information of the Middle River Regional Jail Authority (Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 7, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
December 7, 2022