Virginia Peninsula Regional Jail Authority

Basic Financial Statements and Supplementary Information

(With Independent Auditor's Report Thereon)

Year Ended June 30, 2021

Virginia Peninsula Regional Jail Authority

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Virginia Peninsula Regional Jail Authority
Williamsburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Virginia Peninsula Regional Jail Authority as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Virginia Peninsula Regional Jail Authority as of June 30, 2021, 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.

Change in Accounting Principle

As described in Notes 1 and 12 to the financial statements, in 2021, the Virginia Peninsula Regional Jail Authority adopted new accounting guidance, *GASB Statement No. 84, Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 6 and the pension and OPEB schedules and related notes on pages 27 - 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context and disclosing additional plan information. 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Virginia Peninsula Regional Jail Authority's basic financial statements. The combining statement of net position, the combining statement of revenue, expenses, and changes in net position, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 12, 2021, on our consideration of the Virginia Peninsula Regional Jail 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 Virginia Peninsula Regional Jail 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 the Virginia Peninsula Regional Jail Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 12, 2021

This section of the Virginia Peninsula Regional Jail Authority's (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2021.

Financial Highlights

The Authority's net position increased by $1,295,780 for fiscal year 2021. The increase was due primarily to a decrease in operating expenses related to salaries and benefits. Total liabilities experienced an increase of $155,923, primarily due to an increase in accounts payable at year-end.

Overview of the Financial Statements

This report has two components - Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements. The basic financial statements are comprised of the statement of net position, statement of revenue, expenses and changes in net position, statement of cash flows and notes to the basic financial statements.

Transactions are accounted for under the economic resources measurement focus and the accrual basis of accounting utilizing an enterprise fund. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. Enterprise funds are used to account for activities that are financed and operated similar to those often found in the private sector.

The Statement of Net Position presents information on the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. However, it is also important to consider other nonfinancial factors, such as changes in economic conditions, population and service area growth, and new or changed legislation.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Notes to the financial statements are an integral part of the statements and should be read in conjunction with the financial statements and the Management's Discussion and Analysis.

The Authority is also responsible for the assets of an Inmate Trust Fund. The Authority is responsible for ensuring that the assets reported in this fund are used for their intended purposes. This fiduciary activity is reported as a custodial fund in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. This activity is excluded from the Authority's other financial statements because the Authority cannot use the Inmate Trust Fund's assets to finance its operations.

In prior fiscal years, the Authority presented the Inmate Trust Fund as part of its canteen activities. The separation of the Inmate Trust Fund from the canteen operations reflects the Authority's adoption of GASB Statement No. 84, *Fiduciary Activities,* in fiscal year 2021, which required the Authority to evaluate activities to determine if they were fiduciary in nature. As a result of the adoption of this standard. The inmate Trust Fund is presented as a separate fiduciary fund, and the Authority's beginning net position on its other activities' Statement of Net Position has been restated to reflect the separation of this fund. Further information on the adoption of the new standard is provided in Note 1 to the basic financial statements. Further information on the restatement is provided in Note 12 to the basic financial statements.

Financial Analysis

Statements of Net Position

	6/30/2021	6/30/2020 (as restated)
Current and other assets	$ 7,403,283	$ 5,339,777
Capital assets, net	14,233,411	15,137,943
Net pension asset	2,565,665	3,208,910
Total assets	$ 24,202,359	$ 23,686,630
Deferred outflows of resources	1,125,168	819,452
Total assets and deferred outflows	$ 25,327,527	$ 24,506,082
Current liabilities	$ 567,458	$ 1,074,334
Long-term liabilities	2,559,441	1,896,642
Total liabilities	3,126,899	2,970,976
Deferred inflows of resources	361,533	991,791
Net position:		
Net investment in capital assets	13,130,323	13,924,375
Restricted	2,565,665	3,208,910
Unrestricted	6,143,107	3,410,030
Total net position	21,839,095	20,543,315
Total liabilities, deferred inflows and net position	$ 25,327,527	$ 24,506,082

Total assets increased by $515,729 from fiscal year 2020, primarily due to an increase in current assets related to the Authority's operating activities. Total liabilities experienced an increase of $155,923 primarily due to an increase in accounts payable at year-end. Total net position was $21,839,095 and $20,543,315 at June 30, 2021 and 2020, respectively. Net position as of June 30, 2020 has been restated as described in Note 12.

Statements of Revenues, Expenses and Changes in Net Position for the Year Ended

	6/30/2021	6/30/2020
Operating revenues:		
Fees from member jurisdictions	$ 5,823,430	$ 5,823,309
Commonwealth of Virginia	5,142,006	5,065,076
Federal government	51,243	182,406
Other	1,200,429	1,297,187
Total operating revenues	12,217,108	12,367,978
Operating expenses:		
Salaries and benefits	6,638,212	7,096,146
Contractual services	1,278,433	1,336,332
Depreciation	937,424	946,015
Other	2,029,084	1,876,138
Total operating expenses	10,883,153	11,254,631
Operating income	1,333,955	1,113,347
Nonoperating revenues (expenses):		
Interest income (expense)	(33,168)	(36,201)
Investment income	5,413	26,137
Loss on disposal of capital assets	(10,420)	(25,493)
Net nonoperating revenues (expenses)	(38,175)	(35,557)
Change in net position	1,295,780	1,077,790
Net position, beginning of year, as restated	20,543,315	19,467,276
Net position, end of year	$ 21,839,095	$ 20,545,066

Operating revenue decreased by ($150,870) in 2021, mainly due to a decrease in federal revenue. Operating expenses decreased from the prior year by ($371,478), mainly due to decreases in salaries and benefits related to retirements and turnover. Total net position increased by $1,295,780 from 2020, mainly attributable to the circumstances noted above.

Capital Assets

	6/30/2021	6/30/2020
Nondepreciable	$ 881,571	$ 885,546
Depreciable, net	13,351,840	14,252,397
Capital assets, net	$ 14,233,411	$ 15,137,943

During fiscal year 2021, the Authority purchased new kitchen and laundry equipment. They sold approximately 2300 square feet of land to the Virginia Department of Transportation for a portion of a new interchange from interstate 64. The net effect of this activity and the current year's depreciation expense collectively comprise the decrease in capital assets from 2020.

Additional information can be found in Note 4 to the basic financial statements.

Debt Administration

In February 2013, the Authority signed a $1,766,000 lease purchase agreement, with an interest rate of 2.85%, with Siemens Public, Inc. The agreement is part of an Energy Performance Contract, with the proceeds of the lease held in an escrow account with UMB Corporate Trust Services. The balance of the lease purchase agreement at June 30, 2021 and 2020 was $1,103,088 and $1,213,568, respectively.

Additional information can be found in Note 5 to the basic financial statements.

Request for Financial Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the James City County Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

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Virginia Peninsula Regional Jail Authority

Statement of Net Position

June 30, 2021

Assets		
Cash and short-term investments (Note 2)	$	6,759,012
Due from other governmental units (Note 3)		577,347
Due from James City County, net (Note 8)		6,696
Due from fiduciary funds		21,328
Accounts receivable		38,900
Capital assets, net (Note 4):		
Nondepreciable		881,571
Depreciable, net		13,351,840
Net pension asset (Note 6)		2,565,665
Total assets		24,202,359
Deferred outflows of resources		
Deferred pension outflows (Note 6)		994,594
Deferred retiree healthcare OPEB outflows (Note 7)		48,166
Deferred GLI OPEB outflows (Note 7)		82,408
Total deferred outflows of resources		1,125,168
Total assets and deferred outflows of resources	$	25,327,527
Liabilities		
Accounts payable	$	558,364
Interest payable		2,620
Accrued payroll		6,474
Long-term liabilities (Notes 5 and 7):		
Due within one year		729,770
Due in more than one year		1,829,671
Total liabilities		3,126,899
Deferred inflows of resources		
Deferred pension inflows (Note 6)		249,759
Deferred retiree healthcare OPEB inflows (Note 7)		70,748
Deferred GLI OPEB inflows (Note 7)		41,026
Total deferred inflows of resources		361,533
Net position		
Net investment in capital assets		13,130,323
Restricted for pensions		2,565,665
Unrestricted		6,143,107
Total net position		21,839,095
Total liabilities, deferred inflows of resources, and net position	$	25,327,527

See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority

Statement of Revenue, Expenses and Changes in Net Position

Year Ended June 30, 2021

Operating revenues		
Fees from member jurisdictions	$	5,823,430
Commonwealth of Virginia		5,142,006
Telephone commissions		750,000
Miscellaneous		244,248
Canteen sales		145,954
Federal government		51,243
Home Electronic Incarceration Fees		24,709
Work release fees		18,980
Donations		11,758
Rental income		4,780
Total operating revenues		12,217,108
Operating expenses		
Salaries and benefits		6,638,212
Contractual services		1,278,433
Depreciation		937,424
Utilities		512,216
Food and food supplies		429,845
Medical supplies		195,593
Other supplies		179,494
Building and field maintenance		142,046
Fiscal agent fee (Note 8)		119,890
Furniture and equipment		114,170
Staff clothing		79,837
Inmate clothing		65,517
COVID-19 CESF Grant Program		49,996
Insurance		34,136
Inmate betterment		36,790
Transportation		24,597
Staff development		14,725
Donations		11,372
Rental equipment		9,005
Indigent expenses		8,430
Other		1,425
Total operating expenses		10,883,153
Operating income		1,333,955
Nonoperating revenues (expenses)		
Interest expense		(33,168)
Investment income		5,413
Loss on disposal of capital assets		(10,420)
Net nonoperating revenues (expenses)		(38,175)
Changes in net position		1,295,780
Net position, beginning of year, as restated (Note12)		20,543,315
Net position, end of year	$	21,839,095

See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority

Statements of Cash Flows

Year Ended June 30, 2021

Cash flows from operating activities:	
Cash received from customers	$ 12,260,664
Cash payments to suppliers for goods and services	(2,999,665)
Cash payments for personnel services	(6,972,127)
Net cash provided by operating activities	2,288,872
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(47,287)
Proceeds from sale of capital assets	3,975
Payment of debt	(110,480)
Interest paid	(33,430)
Net cash used in capital and financing activities	(187,222)
Cash flows from investment activities:	
Interest received	6,471
Increase in cash and short-term investments	2,108,121
Cash and short-term investments, beginning of year	4,650,891
Cash and short-term investments, end of year	$ 6,759,012
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 1,333,955
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	937,424
Pension recovery, net of employer contributions	(223,857)
Retiree healthcare OPEB expense, net of employer contributions	(2,689)
Group life insurance OPEB expense, net of employer contributions	(14,873)
Changes in operating assets and liabilities:	
Due from other governmental units	36,343
Due from fiduciary fund	(21,328)
Due from James City County	2,859
Accounts receivable	25,682
Accounts payable	307,852
Accrued payroll	(77,273)
Compensated absences	(15,223)
Total adjustments	954,917
Net cash provided by operating activities	$ 2,288,872

See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority

Statement of Fiduciary Net Position

June 30, 2021

		Inmate Trust Fund
Assets		
Cash and short-term investments	$	78,017
Total assets	$	78,017
Liabilities		
Accounts payable	$	27,729
Amounts held for others		22,792
Due to other funds		21,328
Total liabilities	$	71,849
Net position		
Unrestricted	$	6,168
Total net position	$	6,168

See independent auditor's report.

Virginia Peninsula Regional Jail Authority

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

		Inmate Fund
Additions		
Inmate contributions	$	844,998
Total additions		844,998
Deductions		
Inmate expenses		840,581
Total deductions		840,581
Changes in net position		4,417
Net position, beginning of year, as restated (Note 12)		1,751
Net position, end of year	$	6,168

See independent auditor's report.

1) Summary of Significant Accounting Policies

The Virginia Peninsula Regional Jail Authority (the Authority) was created as a political subdivision of the Commonwealth of Virginia by resolutions adopted in 1993, by and between the Cities of Poquoson and Williamsburg (the Cities) and the Counties of James City and York (the Counties), pursuant to the provisions of Article 3.1, Chapter 3, Title 53.1 of the Code of Virginia, as amended. The Authority is governed by a seven-member board of directors (the Board), consisting of one representative from each member jurisdiction and the sheriff of each jurisdiction that has a sheriff. The host jurisdiction, James City County (the County), is also entitled to an additional member who was appointed in January 1998. The general purpose of the Authority is to maintain and operate a regional jail. The Authority began accepting prisoners on June 14, 1997.

Financial Reporting Entity

The Authority is a legally separate organization: neither the City Councils of the cities nor the Boards of Supervisors of the counties can impose their will on the Authority; there is no potential financial benefit or burden in the relationship. Accordingly, the Authority is not considered a component unit of any of the cities or the counties. The County is the fiscal agent for the Authority.

Basis of Accounting and Measurement Focus

The Authority prepares its financial statements in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority uses the economic resources management focus and the accrual basis of accounting similar to an enterprise fund. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. Enterprise funds are used to account for activities that are financed and operated similar to those often found in the private sector. An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from the Authority’s ongoing operations. Operating revenues are comprised primarily of fees from member jurisdictions and intergovernmental revenues. Operating expenses include salaries and benefits, contractual services, supplies and depreciation. Revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. The Authority generally first uses restricted resources for expenses incurred for which both restricted and unrestricted net position are available.

Budget Policy

The Authority prepares and adopts a fiscal year budget which is prepared on a modified accrual basis of accounting for management and fiscal planning purposes. The Jail Superintendent convenes individual and group budget meetings internally at least annually and the Jail Superintendent then presents a comprehensive budget package to the Board of Directors for approval.

The City Managers and County Administrators, serving as members of the Authority, are responsible for presenting the Authority’s budget to their respective jurisdictions and representing the Authority in budget hearings, as needed, in the budget process.

Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash, and (b) so near the maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, the Authority considers investments with original maturities of three months or less to be cash equivalents.

Capital Assets

The Authority’s policy is to capitalize assets with a historical cost or acquisition value (for donated assets) on the date received of $5,000 or greater. The costs of major improvements are capitalized while the cost of maintenance and repairs, which do not improve or extend the list of an asset, are expensed.

1) Summary of Significant Accounting Policies, Continued

Capital Assets, Continued

Depreciation of capital assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10-40 years
Furniture, equipment, and vehicles	3-12 years

When capital assets are sold or retired, the cost and related accumulated depreciation, if applicable, are removed from the accounts and any resulting gain or loss on disposal is included in non-operating revenues (expenses).

Interfund Transactions

Interfund transactions are reflected as either loans, service provided reimbursements, or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. Deferred inflows represent an acquisition of net position that is applicable to a future reporting period and, therefore, will not be recognized as an inflow of resources until that time.

The Authority has the following items that qualify for reporting in these categories:

- ***Contributions subsequent to the measurement date for pensions and OPEB:*** These contributions are always a deferred outflow, which will be applied to the net pension or OPEB liability in the next fiscal year.
- ***Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability:*** This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- ***Differences resulting from a changes in proportion of the collective net pension and OPEB liabilities:*** This difference will be recognized in pension and OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- ***Difference between projected and actual earnings on pension and OPEB plan investments:*** This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- ***Differences resulting from changes in assumptions on pension plan or OPEB investments:*** These differences will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan.

Fees from Member Jurisdictions Revenue

Fees from member jurisdictions consist of charges billed on a rolling five year utilization average. The member's annual charge is based on the ratio of each member jurisdiction's bed usage in the jail during the preceding five fiscal years to the aggregate usage of space by all member jurisdictions during the same five fiscal years.

1) Summary of Significant Accounting Policies, Continued

Estimates

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

Adoption of New Accounting Statement

Effective for the fiscal year ended June 30, 2021, the Authority adopted GASB Statement No. 84, *Fiduciary Activities*. This standard provides guidance on the identification and reporting of fiduciary activities and required the Authority to evaluate activities to determine if they were fiduciary in nature. This standard also changed the reporting and presentation requirements of fiduciary activities. As a result of the adoption of this standard, the Authority's fiscal year 2021 financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position. These statements now present the activity of the Authority's Inmate Trust Fund as a custodial fund, resulting in the need to restate fiscal year ended June 30, 2020 balances. See Note 12 for more information on this restatement.

2) Cash and Short-Term Investments

The Authority's cash and short-term investments at June 30, 2021, consisted of the following:

Bank deposits	$	3,303,580
Short-term investments		3,533,449
Total	$	6,837,029
Reconciliation to Financial Statements:		
Statement of Net Position - Cash and short-term investments	$	6,759,012
Statement of Fiduciary Net Position - Cash and short-term investments		78,017
Total	$	6,837,029

Deposits with banks are fully covered by Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*.

The Authority's investments at June 30, 2021, were as follows:

Investment Type	Cost	Fair Value	Level	Maturity	Rated
LGIP (amortized cost)	$ 3,533,449	$ 3,533,449	N/A	1 day	N/A

Investment Policy

The Authority utilizes the policies and procedures of the James City County Treasurer; therefore, the Investment Policy (Policy) of the County is used. In accordance with the Code of Virginia and other applicable law, including regulations, the Authority's Policy permits investments in U.S. government obligations, municipal obligations, commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, which measures its investments at amortized cost). The Policy establishes limitations on the holdings of non-U.S. government obligations.

The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is as follows:

2) Cash and Short-Term Investments, Continued

Investment Policy, Continued

U.S. Treasury obligations	100% maximum
Federal Agency obligations	100% maximum
Registered money market mutual funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Bank deposits	100% maximum
Repurchase agreements	50% maximum
Bankers' acceptances	40% maximum
Commercial paper	35% maximum
Negotiable certificates of deposit/bank notes	20% maximum
Municipal obligations	20% maximum
Corporate notes	15% maximum

Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s, Fitch Investor’s Service, and Duff and Phelps. Corporate notes must have a minimum of “Aa” long-term debt rating by Moody’s Investors Service and a minimum of “AA” long-term debt rating by Standard & Poor’s. Negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investors Service. Although state statute does not impose credit standards on repurchase agreement counterparties, bankers’ acceptances or money market mutual funds, the Authority has established stringent credit standards for these investments to minimize portfolio risk.

As of June 30, 2021, the Authority’s investment in LGIP was rated AAAm by Standard & Poor’s.

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority’s portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Each bank deposit institution	100% maximum
Each money market mutual fund	50% maximum
Each federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

At June 30, 2021, the Authority’s portfolio was invested entirely in the Commonwealth of Virginia LGIP account.

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority’s Policy limits the investment of short-term operating funds to an average weighted maturity of no more than 180 days, with a portion of the portfolio continuously invested in readily available funds. The operating fund core portfolio will be invested in permitted investments with a stated maturity of no more than five years from the date of purchase. To control the volatility of the core portfolio, the Treasurer will determine a duration target, not to exceed three years.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities, so long as the maturity does not exceed the expected disbursement date of those funds.

2) Cash and Short-Term Investments, Continued

Custodial Credit Risk

The Policy requires all investment securities purchased by the Authority or held as collateral on deposits or investments shall be held by the Authority or by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction. As of June 30, 2021, all of the Authority's investments are held in a bank's trust department in its name.

3) Due from Other Governmental Units

At June 30, 2021, due from other governmental units consists of the following:

Commonwealth of Virginia	$	577,222
Federal government		125
Total	$	577,347

4) Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021.

	Balances June 30, 2020	Increases	Decreases	Balances June 30, 2021
Capital assets, non-depreciable:				
Land and land improvements	$ 885,546	$ -	$ 3,975	$ 881,571
Capital assets, depreciable:				
Land improvements	72,800	-	-	72,800
Intangibles	41,250	-	-	41,250
Buildings and improvements	31,092,384	-	-	31,092,384
Furniture, equipment, and vehicles	2,184,853	47,287	20,532	2,211,608
Total capital assets, depreciable	33,391,287	47,287	20,532	33,418,042
Less accumulated depreciation:				
Land improvements	1,213	3,640	-	4,853
Intangibles	6,188	8,415	-	14,603
Buildings and improvements	17,319,085	802,069	-	18,121,154
Furniture, equipment, and vehicles	1,812,404	123,300	10,112	1,925,592
Total accumulated depreciation	19,138,890	937,424	10,112	20,066,202
Total capital assets, depreciable, net	14,252,397	(890,137)	10,420	13,351,840
Net capital assets	$ 15,137,943	$ (890,137)	$ 14,395	$ 14,233,411

5) Long-Term Liabilities

A summary of the Authority's changes in long-term liabilities for the year ended June 30, 2021, is as follows:

	Balance 6/30/2020	Increases	Decreases	Balance 6/30/2021	Due Within One Year
Compensated absences	$ 626,712	$ 554,841	$ 570,064	$ 611,489	$ 611,489
Lease payable	1,213,568	-	110,480	1,103,088	118,281
Retiree healthcare OPEB	380,391	51,269	-	431,660	-
Group life insurance OPEB	413,163	41	-	413,204	-
Total	$ 2,633,834	$ 606,151	$ 680,544	$ 2,559,441	$ 729,770

Compensated Absences

Authority employees are granted vacation time in varying amounts based on length of service. They may accumulate, subject to certain limitations, unused vacation leave and upon retirement, termination or death may be compensated for certain amounts at their then current rates of pay. Accumulated vacation, sick and holiday leave estimated to be paid upon separation consisted of the following:

5) Long-Term Liabilities, Continued

Compensated Absences, Continued

		6/30/2021
Vacation	$	321,742
Sick		81,662
Holiday		208,085
Total	$	611,489

Lease Payable

In February 2013, the Authority signed a $1,766,000 lease purchase agreement for energy efficient improvements with an interest rate of 2.85%, with Siemens Public, Inc. The net book value of the capital assets purchased under this lease was $827,719 at June 30, 2021, and the Authority had interest payable of $2,620 related to this agreement at June 30, 2021. The annual requirements for principal and related interest are as follows:

Year ended June 30		Principal		Interest
2022	$	118,281	$	30,199
2023		126,446		26,741
2024		134,989		23,047
2025		143,925		19,106
2026		153,269		14,905
2027-2029		426,178		17,074
Total	$	1,103,088	$	131,072

6) Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension asset, deferred outflow of resources and deferred inflow 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 net fiduciary 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.

Plan Description

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

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

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

6) Pensions, Continued

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	70
Inactive members:	
Vested	25
Non-vested	132
Active elsewhere in VRS	80
Total inactive members	237
Active members	127
Total covered members	434

Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2021, was 8.92% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $372,453 and $464,044 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Asset

The 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 the employer's fiduciary net position. For the Authority, the net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total pension liability for General Employees and Public Safety employees with Hazardous Duty Benefits in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
General Employees - Salary increases, including inflation	3.5% – 5.35%
Public Safety Employees with Hazardous Duty Benefits - Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

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

6) Pensions, Continued

Actuarial Assumptions (Continued)

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

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

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

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, no changes to salary scale, and decreased discount rate from 7.00% to 6.75%.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public equity	34.00%	4.65%	1.58%
Fixed income	15.00%	0.46%	0.07%
Credit strategies	14.00%	5.38%	0.75%
Real assets	14.00%	5.01%	0.70%
Private equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP- Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

** The above allocation provides a one-year return of 7.14%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, 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. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations, provide a median return of 6.81%.*

6) Pensions, Continued

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total pension liability	Plan fiduciary net pension	Net pension liability (asset)
Balances at June 30, 2019	$ 14,504,470	$ 17,713,380	$ (3,208,910)
Changes for the year:			
Service cost	912,785	-	912,785
Interest	957,453	-	957,453
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	(193,385)	-	(193,385)
Contributions - employer	-	464,044	(464,044)
Contributions - employee	-	242,443	(242,443)
Net investment income	-	338,814	(338,814)
Benefit payments, including refunds of employee contributions	(639,970)	(639,970)	-
Administrative expenses	-	(11,285)	11,285
Other changes	-	(408)	408
Net changes	1,036,883	393,638	643,245
Balances at June 30, 2020	$ 15,541,353	$ 18,107,018	$ (2,565,665)

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

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

	1% Decrease (5.75%)	Current discount rate (6.75%)	1% Increase (7.75%)
Net pension asset	$ (640,759)	$ (2,565,665)	$ (4,157,896)

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

For the year ended June 30, 2021, the Authority recognized pension expense of $140,669.

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

6) Pensions, Continued

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

	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	$ 372,453	$ -
Differences between expected and actual experience	-	249,759
Changes of assumptions	80,300	-
Net difference between projected and actual earnings on plan investments	541,841	-
Total	$ 994,594	$ 249,759

The $372,453 reported as a deferred outflow of resources represents contributions subsequent to the measurement date and will be recognized as an increase to the net pension asset in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (recovery) as follows:

Year ended June 30	
2022	$ (126,845)
2023	147,024
2024	180,466
2025	171,737
	$ 372,382

Pension Plan Data

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

7) Other Post-Employment Benefits (OPEB)

Multiple Employer Cost-Sharing Plan - Retiree Healthcare

The Authority provides other post-employment health-care benefits for qualifying retired employees who are not yet eligible for Medicare through a cost-sharing, multiple-employer defined benefit plan administered by James City County. The benefits, benefit levels, employee contributions and employer contributions are governed by the Authority and can be amended by the Authority through its personnel manual.

Plan Description

Participants must be eligible to retire under VRS and must be full-time active employees who retire directly from the Authority and are at least 55 years of age with 15 years of service. Each year, retirees participating in the Authority's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. For fiscal year 2021, the pre-Medicare retirees have a choice of two plans offered by Optima. Dental plans are available at the retiree's cost and therefore, there is no employer obligation. There is no coverage for post-Medicare retirees.

Funding Policy

The Authority does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the net retiree healthcare OPEB liability is based on contributions to the benefit plan on a pay-as-you-go cost basis. The data has been projected into the future based on the assumption that the current active population remains constant. Retirees contribute towards their health insurance premiums based on a blended rate and therefore, the Authority has an implicit rate obligation. The estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees. Retirees pay 100% of the published rates for individual and dependent coverage until age 65.

7) Other Post-Employment Benefits (OPEB), Continued

Actuarial Methods and Assumptions

For the actuarial valuation at January 1, 2020 (measurement date of June 30, 2020), the entry age normal funding method was used. The goal of this method is that the annual accrual (or normal cost) be a level percent of pay throughout an employee's career. This method requires a salary increase assumption. The normal cost percentage is equal to the present value of benefits divided by the present value of future salary determined when the employee was hired. The actuarial accrued liability is equal to the present value of benefits minus the normal cost percentage times the present value of future salaries at the valuation date.

The actuarial assumptions included calculations based on a discount rate of 2.45% for June 30, 2020, for the unfunded liability. Benefits are discounted based on an index rate for 20-year tax-exempt general obligation (GO) municipal bonds with an average rating of AA/Aa or higher.

The medical trend assumption was changed from the previous valuation to an assumption developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in October 2010 and updated in September 2019. The following assumptions were used as input variables into this model:

Inflation	2.50%
Rate of growth in real income/ GDP per capita	1.50%
Extra trend due to technology and other factors	1.10%
Expected health share of GDP in 2029	20.00%
Health share of GDP resistance point	25.00%
Year for limiting cost growth to GDP growth	2075

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection, tolerance ranges and input variables have been developed under the guidance of an SOA Project Oversight Group.

The actuarial assumptions included calculations based on salary increases of 3.15%-1.30% (general) and 2.55%-1.30% (public safety) based on years of service. The valuation assumed that 40% of participants currently with coverage will elect coverage upon retirement, and that 30% of participants electing coverage at retirement will elect coverage for their spouse.

Mortality decrements used in the January 1, 2020, valuation:

- Pre-Retirement
    - General: Pub-2010 General Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
    - LEOS: Pub-2010 Public Safety Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
- Post-Retirement
    - General: Pub-2010 General Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
    - LEOS: Pub-2010 Public Safety Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
- Disabled:
    - General: Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
    - LEOS: Pub-2010 Public Safety Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale

7) Other Post-Employment Benefits (OPEB), Continued

Changes in Assumptions Since Prior Valuation

- Discount rate was updated to 2.45% (the latest 20-year municipal GO AA Index as of June 30, 2020).
- Mortality assumptions were updated to the latest SOA public sector experience study rates.
- Medical trend was updated based on SOA Long-Run Medical Cost Trend Model.

Retiree Healthcare OPEB Liability

At June 30, 2021, the Authority reported a retiree healthcare OPEB liability of $431,660 for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2021, retiree healthcare OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation performed January 1, 2020. The Authority's proportion of the County's retiree healthcare OPEB liability was based on the Authority's projected long-term contribution effort to the OPEB plan as compared to the total projected long-term contribution effort of all contributing entities to determine the Authority's proportion. At June 30, 2021, the Authority's proportion of the County's retiree healthcare OPEB liability was 7.28%.

Sensitivity of the Retiree Healthcare OPEB Liability to Changes in the Discount Rate

The following presents the retiree healthcare OPEB liability using the discount rate of 2.45%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current rate for the measurement date of June 30, 2020:

	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Retiree Healthcare OPEB Liability	$ 472,405	$ 431,660	$ 394,083

Sensitivity of the Retiree Healthcare OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the retiree healthcare OPEB liability using the health care cost trend rate of 4.00%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

	1% Decrease (3.00%)	Medical Trend Rate (4.00%)	1% Increase (5.00%)
Retiree Healthcare OPEB Liability	$ 377,325	$ 431,660	$ 496,287

Retiree Healthcare OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2021, the Authority recognized retiree healthcare OPEB expense of $27,275. Since there was a change in proportionate share between measurement dates, a portion of the retiree healthcare OPEB expense was related to deferred amounts from changes in proportion. At June 30, 2021, deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB from the following sources were reported:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 26,700	$ 32,493
Changes of assumptions	21,466	26,674
Change in proportion	-	11,581
Total	$ 48,166	$ 70,748

7) Other Post-Employment Benefits (OPEB), Continued

Retiree Healthcare OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources, Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB will be recognized in retiree healthcare OPEB expense (recovery) as follows:

Year Ended		
2022	$	(8,607)
2023		(8,607)
2024		(8,608)
2025		(4,317)
2026		7,557
Total	$	(22,582)

Virginia Retirement System Plan – Group Life Insurance

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

Plan Description

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

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

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

The GLI is administered by the VRS along with pension and OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered to be a multiple employer, cost sharing plan.

Contributions

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

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2021 Contribution	$ 22,828

7) Other Post-Employment Benefits (OPEB), Continued

Group Life Insurance (GLI) OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

The net GLI OPEB liability was measured as of June 30, 2020, 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, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net GLI OPEB liability were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers.

June 30, 2021 proportionate share of liability	$413,204
June 30, 2020 proportion	0.02476%
June 30, 2019 proportion	0.02539%
June 30, 2021 expense	$8,426

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

At June 30, 2021, 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	$ 26,503	$ 3,711
Net difference between projected and actual investment earnings on OPEB Plan investments	12,412	-
Changes of assumptions	20,665	8,628
Changes in proportionate share	-	28,687
Employer contributions subsequent to the measurement date	22,828	-
Total	$ 82,408	$ 41,026

The $22,828 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended	Increase (Reduction) to OPEB Expense
2022	$ (1,108)
2023	2,397
2024	7,082
2025	9,242
2026	1,059
Thereafter	(118)
Total	$ 18,554

7) Other Post-Employment Benefits (OPEB), Continued

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases, including inflation:	
Locality – General employees	3.5% – 5.35%
Locality – Hazardous duty employees	3.5% – 4.75%
Teachers	3.5% – 5.95%
Investment rate of return	6.75%; net of investment expenses, including inflation*

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 6.

Net GLI OPEB Liability

The net GLI OPEB liability represents the GLI OPEB 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, 2020, the net OPEB liability amount for the GLI OPEB program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,523,937
Plan Fiduciary Net Position	1,855,102
Net GLI OPEB Liability (Asset)	$ 1,668,835
Plan Fiduciary Net Position as a % of the Total GLI OPEB Liability	52.64%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS 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 OPEB 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:

7) Other Post-Employment Benefits (OPEB), Continued

Long-Term Expected Rate of Return, Continued

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Onvestment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.14%

** The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.*

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS 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, 2020, the rate contributed by the employer for the GLI OPEB liability will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 GLI OPEB liability.

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 543,188	$ 413,204	$ 307,645

7) Other Post-Employment Benefits (OPEB), Continued

Group Life Insurance Program Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

8) Transactions with Related Parties

Certain financial management and accounting services are provided to the Authority by the County. The charges for these services totaled $119,890 for the year ended June 30, 2021.

At June 30, 2021, the County owed $6,696 to the Authority primarily for payroll expenses, and this amount is included on the statement of net position as due from James City County. These payroll expenses were paid by the Authority to the County prior to June 30, 2021 for Authority employees' VRS benefits. The amount owed back to the Authority primarily relates to payments made on behalf of employees who were determined to be ineligible for the VRS benefits subsequent to year-end due to termination or other circumstances.

9) Commitments

In October 2019, the Authority entered into an agreement with Qualis Group, LLC for primary care medical services and mental health services for inmates. The initial term of the contract commenced on November 1, 2019, and ends on November 1, 2022, with the option to grant two (2) separate one (1) year extensions. Per the agreement, the Authority would pay up to $430,000 per year. The annual rate is dependent upon inmate population levels; changes in those levels can result in changes to the amount paid. The Authority paid $426,352 to Qualis Group LLC in fiscal year 2021 related to this agreement and this amount is included in contractual services on the statement of revenues, expenses, and changes in net position.

10) Litigation

The Authority is subject to certain claims that arise in the ordinary course of operations. The Authority currently has open claims that are in the early stages of the evaluation process. Accordingly, it is not possible at the present time to estimate the ultimate legal and financial liability, if any, with respect to certain lawsuits or other proceedings. In the opinion of management, after consultation with counsel, the eventual outcome of such claims has not yet been determined probable to have a material adverse effect on the Authority's operations or financial position.

11) COVID-19

During fiscal year 2021, the novel coronavirus disease (COVID-19) impacted the operational and financial activities of the Authority. COVID-19 resulted in losses of revenue and a decrease in the population at the Authority. The loss of revenue was offset by a decrease in inmate expenses due to the lower population and reduced costs for staff development as a result of limitations on travel and training.

In September 2020, the Authority was awarded $49,996 to reimburse expenses related to the purchase of protective, sanitary, and disinfecting supplies, as required to adhere to local and state safety protocols. The Authority received these funds in April 2021, and this amount is included in federal government revenues in the accompanying statement of revenues, expenses, and changes in net position for fiscal year 2021.

The extent to which COVID-19 may impact the Authority's operations and financial condition in subsequent fiscal years will depend on future developments, which remain uncertain and cannot be predicted due to the evolving nature of this situation. As a result, the Authority cannot reasonably estimate the future impact of COVID-19 at this time.

12) Restatement

During fiscal year 2021, the Authority adopted GASB Statement No. 84, *Fiduciary Activities,* as discussed in Note 1 of these disclosures. The Authority's beginning net position for fiscal year 2021 on the Statement of Revenue, Expenses and Changes in Net Position was restated to reflect the adjustments needed to adopt this standard. In particular, the Authority's Inmate Trust Fund is now presented as a separate fiduciary fund with its own statements of fiduciary net position and changes in fiduciary net position. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available. In fiscal year 2021, the related balances have been adjusted as follows:

Statement of Net Position	6/30/2020 Previously Reported	Restatement	6/30/2020 As Restated
Cash and short-term investments	$ 4,688,064	$ (37,173)	$ 4,650,891
Accounts payable	$ (272,339)	$ 21,826	$ (250,513)
Amounts held for others	$ (13,596)	$ 13,596	$ -
Net position - unrestricted	$ (3,411,781)	$ 1,751	$ (3,410,030)
Net position - Total	$ (20,545,066)	$ 1,751	$ (20,543,315)
Statement of Fiduciary Net Position			
Net position - unrestricted	$ -	$ (1,751)	$ (1,751)

* * * * *

Required Supplementary Information

Virginia Peninsula Regional Jail Authority

Schedule of Changes in the Net Pension Asset and Related Ratios

Last Ten Fiscal Years (1) *

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	912,785	$ 844,875	$ 824,692	$ 815,014	$ 774,740	$ 755,721	$ 696,818
Interest	957,453	934,640	924,417	857,808	840,404	751,781	685,356
Changes of benefit terms	–	-	-	-	-	-	-
Differences between expected and actual experience	(193,385)	(765,242)	(898,906)	37,356	(886,823)	183,103	-
Changes in assumptions	–	429,432	-	(99,812)	-	-	-
Benefit payments, including refunds of employee contributions	(639,970)	(582,480)	(825,831)	(491,774)	(467,611)	(381,528)	(484,966)
Net change in total pension liability	1,036,883	861,225	24,372	1,118,592	260,710	1,309,077	897,208
Total pension liability, beginning	14,504,470	13,643,245	13,618,873	12,500,281	12,239,571	10,930,494	10,033,286
Total pension liability, ending	15,541,353	$ 14,504,470	$ 13,643,245	$ 13,618,873	$ 12,500,281	$ 12,239,571	$ 10,930,494
Plan fiduciary net position							
Contributions - employer	464,044	455,929	429,876	429,635	552,590	516,601	628,274
Contributions - employee	242,443	238,811	242,861	242,980	244,984	236,366	223,741
Net investment income	338,814	1,114,739	1,147,713	1,683,653	242,074	569,404	1,633,051
Benefit payments, including refunds of employee contributions	(639,970)	(582,480)	(825,831)	(491,774)	(467,611)	(381,528)	(484,966)
Administrative expense	(11,285)	(10,577)	(9,799)	(9,348)	(7,839)	(7,304)	(8,404)
Other	(408)	(707)	(1,024)	(1,516)	(100)	(121)	86
Net change in plan fiduciary net position	393,638	1,215,715	983,796	1,853,630	564,098	933,418	1,991,782
Plan fiduciary net position, beginning	17,713,380	16,497,665	15,513,869	13,660,239	13,096,141	12,162,723	10,170,941
Plan fiduciary net position, ending	$ 18,107,018	$ 17,713,380	$ 16,497,665	$ 15,513,869	$ 13,660,239	$ 13,096,141	$ 12,162,723
Net pension asset	$ (2,565,665)	$ (3,208,910)	$ (2,854,420)	$ (1,894,996)	$ (1,159,958)	$ (856,570)	$ (1,232,229)
Plan fiduciary net position as a percentage of the total pension liability	116.51%	122.12%	120.92%	113.91%	109.28%	107.00%	111.27%
Covered payroll	$ 4,978,010	$ 4,855,641	$ 4,901,876	$ 4,894,773	$ 4,932,752	$ 4,599,484	$ 4,487,387
Net pension asset as a percentage of the total covered payroll	(51.54)%	(66.09)%	(58.23)%	(38.71)%	(23.52)%	(18.62)%	(27.46)%

(1) This schedule is intended to present 10 years of information. GASB 68 and 71 were implemented in fiscal year 2015, and additional years will be presented as the information becomes available.

* The amounts presented have a measurement date of the previous fiscal year end.

See accompanying notes and independent auditor's report.

Virginia Peninsula Regional Jail Authority

Schedule of Employer Pension Contributions

Last 10 Fiscal Years (1)

Fiscal year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution excess (deficiency)	Employer's covered payroll	Contributions as a % of covered payroll
2021	$ 372,453	$ 372,453	$ -	$ 4,258,877	8.75%
2020	464,044	464,044	-	4,978,010	9.32%
2019	460,393	460,393	-	4,855,641	9.48%
2018	432,963	432,963	-	4,901,876	8.83%
2017	431,719	431,719	-	4,894,773	8.82%
2016	554,438	554,441	3	4,932,752	11.24%
2015	516,589	516,982	393	4,599,484	11.24%

(1) This schedule is intended to present 10 years of information. GASB 68 and 71 were implemented in fiscal year 2015, and additional years will be presented as the information becomes available.

Virginia Peninsula Regional Jail Authority

Schedule of Employer's Share of Retiree Healthcare OPEB Liability (1) (2)

Required Supplementary Information (Unaudited)

Last Ten Fiscal Years*

Measurement date as of June 30,	**2020**	**2019**	**2018**	**2017**
Employer's proportion of the County's Retiree Healthcare OPEB liability	7.28%	7.28%	7.55%	7.55%
Employer's proportionate share of the County's Retiree Healthcare OPEB liability	$ 431,660	$ 380,391	$ 444,951	$ 418,156
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Expected average remaining service years of all participants	6	6	7	7

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018; additional years will be presented as the information becomes available.

(2) This OPEB plan does not depend on salary information.

* The amounts presented have a measurement date of the previous fiscal year end.

See accompanying notes to required supplementary information.

Virginia Peninsula Regional Jail Authority

Schedule of Employer's Share of Net Group Life Insurance (GLI) OPEB Liability

Required Supplementary Information (Unaudited)

Last Ten Fiscal Years (1) *

	2021	2020	2019	2018
Employer's proportion of the net GLI OPEB liability	0.02476%	0.02539%	0.02628%	0.02673%
Employer's proportionate share of the net GLI OPEB liability	$ 413,204	$ 413,163	$ 399,000	$ 403,000
Employer's covered payroll	$ 4,978,010	$ 4,855,641	$ 4,901,876	$ 4,894,773
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.30%	8.51%	8.14%	8.23%
Plan fiduciary net position as a % of total GLI OPEB liability	52.64%	52.00%	51.22%	48.86%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018; additional years will be presented as the information becomes available.

* The amounts presented have a measurement date of the previous fiscal year end.

Virginia Peninsula Regional Jail Authority

Schedule of Employer OPEB Contributions

Required Supplementary Information (Unaudited)

Last Ten Fiscal Years (1)

OPEB - Retiree Healthcare (2)

Fiscal Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)
2021	$ 27,275	$ -	$ 27,275
2020	25,307	-	25,307
2019	38,161	-	38,161
2018	69,058	-	58,766

OPEB - Group Life Insurance

Fiscal Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2021	$ 22,828	$ 22,828	$ -	$ 4,258,877	0.54%
2020	26,085	26,085	-	4,978,010	0.52%
2019	25,444	25,444	-	4,855,641	0.52%
2018	25,686	25,686	-	4,901,876	0.52%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018; additional years will be presented as the information becomes available.

(2) This OPEB plan does not depend on salary information.

Virginia Peninsula Regional Jail Authority
Note to Required Supplemental Information
Year ended June 30, 2021

1) Pension, OPEB Group Life Insurance, OPEB Retiree Healthcare - Changes of Benefit Terms

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

2) Pension - Changes of Assumptions

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year through 9 years of service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased at age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

3) Group Life Insurance Program OPEB - Changes of Assumptions

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

3) Group Life Insurance Program OPEB - Changes of Assumptions, Continued

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teachers:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

3) Group Life Insurance Program OPEB - Changes of Assumptions, Continued

JRS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest 10 Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

3) Group Life Insurance Program OPEB - Changes of Assumptions, Continued

Non-Largest 10 Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

4) OPEB Retiree Healthcare - Trust Arrangement and Funding Policy

The Authority does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the net retiree healthcare OPEB liability is based on contributions to the benefit plan on a pay-as-you-go cost basis.

5) OPEB Retiree Healthcare - Changes of Assumptions

The following change in actuarial assumptions were made based on the most recent actuarial valuation:

Measurement Date	Discount Rate
June 30, 2017	3.58%
June 30, 2018	3.62%
June 30, 2019	3.13%
June 30, 2020	2.45%

Supplementary Information

Virginia Peninsula Regional Jail Authority

Combining Statement of Net Position

June 30, 2021

	General Fund	Work Release Fund	Canteen Fund	Total
Assets				
Cash and short-term investments	$ 6,475,245	$ 111,799	$ 171,968	$ 6,759,012
Due from other governmental units	577,347	-	-	577,347
Due from James City County	6,756	-	(60)	6,696
Due from other funds	14,380	6,948	1,777	23,105
Accounts receivable	25,789	-	13,111	38,900
Capital assets, net				-
Nondepreciable	881,571	-	-	881,571
Depreciable, net	13,351,840	-	-	13,351,840
Net pension asset	2,565,665	-	-	2,565,665
Total assets	23,898,593	118,747	186,796	24,204,136
Deferred outflows of resources				
Deferred pension outflows	994,594	-	-	994,594
Deferred retiree healthcare OPEB outflows	48,166	-	-	48,166
Deferred GLI OPEB outflows	82,408	-	-	82,408
Total deferred outflows of resources	1,125,168	-	-	1,125,168
Total assets and deferred outflows of resources	$ 25,023,761	$ 118,747	$ 186,796	$ 25,329,304
Liabilities				
Accounts payable	$ 530,852	$ 3,203	$ 24,309	$ 558,364
Amounts held for others	-	-	-	-
Interest payable	2,620	-	-	2,620
Accrued payroll	6,474	-	-	6,474
Due to other funds	1,777	-	-	1,777
Long-Term liabilities				
Due within one year	729,770	-	-	729,770
Due in more than one year	1,829,671	-	-	1,829,671
Total liabilities	3,101,164	3,203	24,309	3,128,676
Deferred inflows of resources				
Deferred pension inflows	249,759	-	-	249,759
Deferred retiree healthcare OPEB inflows	70,748	-	-	70,748
Deferred GLI OPEB inflows	41,026	-	-	41,026
Total deferred inflows of resources	361,533	-	-	361,533
Net position				
Net investment in capital assets	13,130,323	-	-	13,130,323
Restricted for pensions	2,565,665	-	-	2,565,665
Unrestricted	5,865,076	115,544	162,487	6,143,107
Total net position	21,561,064	115,544	162,487	21,839,095
Total liabilities, deferred inflows of resources, and net position	$ 25,023,761	$ 118,747	$ 186,796	$ 25,329,304

See independent auditor's report.

Virginia Peninsula Regional Jail Authority

Combining Statement of Revenue, Expenses and Changes in Net Position

Year Ended June 30, 2021

	General Fund	Work Release Fund	Canteen Fund	Total
Operating revenues				
Fees from member jurisdictions	$ 5,823,430	$ -	$ -	$ 5,823,430
Commonwealth of Virginia	5,142,006	-	-	5,142,006
Federal government	51,243	-	-	51,243
Telephone commissions	750,000	-	-	750,000
Home Electronic Incarceration Fees	24,709			24,709
Miscellaneous	244,248	-	-	244,248
Canteen sales	-	-	145,954	145,954
Work release fees	-	18,980	-	18,980
Donations	11,758			11,758
Rental income	4,780	-	-	4,780
Total operating revenues	12,052,174	18,980	145,954	12,217,108
Operating expenses				
Salaries and benefits	6,638,212	-	-	6,638,212
Contractual services	1,278,433	-	-	1,278,433
Depreciation	937,424	-	-	937,424
Utilities	512,216	-	-	512,216
Food and food supplies	429,845	-	-	429,845
Building and field maintenance	142,046	-	-	142,046
Other supplies	163,833	15,661	-	179,494
Fiscal agent fee	119,890	-	-	119,890
Medical supplies	195,593	-	-	195,593
Furniture and equipment	114,170	-	-	114,170
Inmate betterment	-	-	36,790	36,790
Transportation	24,597	-	-	24,597
Insurance	34,136	-	-	34,136
Staff clothing	79,837	-	-	79,837
Inmate clothing	65,517	-	-	65,517
Staff development	14,725	-	-	14,725
Indigent expenses	-	-	8,430	8,430
COVID-19 CESF Grant Program	49,996			49,996
Donations	11,372			11,372
Rental equipment	9,005	-	-	9,005
Other	1,425	-	-	1,425
Total operating expenses	10,822,272	15,661	45,220	10,883,153
Operating income	1,229,902	3,319	100,734	1,333,955
Nonoperating revenues				
Interest expense	(33,168)	-	-	(33,168)
Investment income	5,413	-	-	5,413
Loss on disposal of capital assets	(10,420)	-	-	(10,420)
Net nonoperating revenues	(38,175)	-	-	(38,175)
Changes in net position	1,191,727	3,319	100,734	1,295,780
Net position, beginning of year, as restated (Note 12)	20,369,339	112,225	61,751	20,543,315
Net position, end of year	$ 21,561,066	$ 115,544	$ 162,485	$ 21,839,095

See independent auditor's report.

Statistical Section (Unaudited)

Virginia Peninsula Regional Jail Authority

Federal Revenue

Last 10 Fiscal Years

Table 1

Year	Federal revenue	Average daily population
2021	$ 51,243	0.05
2020	182,406	0.06
2019	1,346,611	0.58
2018	1,445,495	0.64
2017	1,467,200	0.64
2016	1,089,222	0.47
2015	618,257	0.60
2014	33,035	0.90
2013	32,283	0.80
2012	68,380	1.80

Virginia Peninsula Regional Jail Authority

State Revenue

Last 10 Fiscal Years

Table 2

Year	State revenue	Percentage of operational expenses
2021	$ 5,142,006	47.0%
2020	5,065,076	45.0%
2019	4,664,685	43.0%
2018	4,632,069	38.0%
2017	4,528,078	38.0%
2016	4,695,429	41.0%
2015	4,662,534	43.0%
2014	5,010,391	48.0%
2013	4,670,471	47.0%
2012	4,558,687	46.0%

Virginia Peninsula Regional Jail Authority

State Per Diems

Last 10 Fiscal Years

Table 3

Year	State per diems	Local average daily population
2021	$ 814,292	355.6
2020	806,620	411.0
2019	380,837	464.7
2018	349,608	498.4
2017	362,183	487.5
2016	521,954	437.6
2015	802,896	410.1
2014	1,058,923	432.4
2013	1,018,719	413.3
2012	942,960	388.4

Virginia Peninsula Regional Jail Authority

Medical Costs

Last 10 Fiscal Years

Table 4

Year	Medical services and medical supply costs	Average cost per inmate
2021	$ 963,405	$ 2,709
2020	1,029,618	2,505
2019	721,432	1,552
2018	1,121,049	2,249
2017	1,091,232	2,238
2016	1,073,147	2,452
2015	780,481	1,767
2014	901,335	2,050
2013	854,615	2,012
2012	732,742	1,858

Virginia Peninsula Regional Jail Authority

Food Supplies

Last 10 Fiscal Years

Table 5

Year	**Food and food supplies**	**Average daily cost per inmate**
2021	$ 429,845	$ 3.31
2020	439,652	3.04
2019	482,978	2.85
2018	511,538	2.81
2017	498,159	2.80
2016	530,172	3.31
2015	657,334	3.66
2014	671,507	3.58
2013	615,043	3.37
2012	610,015	3.55
2011	661,372	3.59

Compliance Section

BrownEdwards
certified public accountants

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

To the Board of Directors
Virginia Peninsula Regional Jail Authority
Williamsburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the aggregate remaining fund information of the Virginia Peninsula Regional Jail Authority as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Virginia Peninsula Regional Jail Authority's basic financial statements, and have issued our report thereon dated November 12, 2021.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 12, 2021

VIRGINIA PENINSULA REGIONAL JAIL AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021

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

STATE COMPLIANCE MATTERS

Code of Virginia

- Cash and Investments Laws
- Inmate Canteen and Other Auxiliary Funds
- Conflicts of Interest Act
- Local Retirement Systems
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act