



Virginia Peninsula Regional Jail Authority

**Basic Financial Statements and
Supplementary Information**
(With Independent Auditor's Report Thereon)

Year Ended June 30, 2020

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 Virginia Peninsula Regional Jail Authority as of and for the year ended June 30, 2020, 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 respective financial position of the Virginia Peninsula Regional Jail Authority as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 39 - 47 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 16, 2020, 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 16, 2020

Virginia Peninsula Regional Jail Authority
Management's Discussion and Analysis
June 30, 2020

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, 2020.

Financial Highlights

The Authority's net position increased by \$1,077,790 for fiscal year 2020. The increase was due primarily to an increase in State and telephone commission revenue. Total liabilities decreased by (\$178,854), primarily due to decreases in lease payable and compensated absences.

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.

Virginia Peninsula Regional Jail Authority
Management's Discussion and Analysis
June 30, 2020

Financial Analysis

Statements of Net Position

	6/30/2020	6/30/2019
Current and other assets	\$ 5,376,950	\$ 4,417,337
Capital assets, net	15,137,943	15,747,397
Net pension asset	3,208,910	2,854,420
Total assets	<u>\$ 23,723,803</u>	<u>23,019,154</u>
Deferred outflows of resources	819,452	532,458
Total assets and deferred outflows	<u>\$ 24,543,255</u>	<u>\$ 23,551,612</u>
Current liabilities	\$ 1,109,756	\$ 1,127,733
Noncurrent liabilities	1,896,642	2,057,519
Total liabilities	<u>3,006,398</u>	<u>3,185,252</u>
Deferred inflows of resources	<u>991,791</u>	<u>899,084</u>
Net position:		
Net investment in capital assets	13,924,375	14,430,801
Restricted	3,208,910	2,854,420
Unrestricted	<u>3,411,781</u>	<u>2,182,055</u>
Total net position	<u>20,545,066</u>	<u>19,467,276</u>
Total liabilities, deferred inflows and net position	<u>\$ 24,543,255</u>	<u>\$ 23,551,612</u>

Total assets increased by \$704,649 from fiscal year 2019, primarily due to an increase in current assets related to the Authority's operating activities. Total liabilities experienced a decrease of (\$178,854), primarily due to decreases in lease payable and compensated absences. Total net position was \$20,545,066 and \$19,467,276 at June 30, 2020 and 2019, respectively.

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

	6/30/2020	6/30/2019
Operating revenues:		
Fees from member jurisdictions	\$ 5,823,309	\$ 6,304,682
Commonwealth of Virginia	5,065,076	4,664,685
Federal government	182,406	1,346,611
Other	<u>1,297,187</u>	<u>925,575</u>
Total operating revenues	<u>12,367,978</u>	<u>13,241,553</u>
Operating expenses:		
Salaries and benefits	7,096,146	6,934,638
Contractual services	1,336,332	1,058,687
Depreciation	946,015	922,978
Other	<u>1,876,138</u>	<u>2,041,046</u>
Total operating expenses	<u>11,254,631</u>	<u>10,957,349</u>
Operating income	<u>1,113,347</u>	<u>2,284,204</u>
Nonoperating revenues (expenses):		
Interest income (expense)	(36,201)	30,025
Investment income	26,137	13,872
Loss on disposal of capital assets	<u>(25,493)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(35,557)</u>	<u>43,897</u>
Change in net position	1,077,790	2,328,101
Net position, beginning of year	<u>19,467,276</u>	<u>17,139,175</u>
Net position, end of year	<u>\$ 20,545,066</u>	<u>\$ 19,467,276</u>

Operating revenue decreased by (\$873,575) in 2020, mainly due to lower federal revenue. Operating expenses increased from the prior year by \$297,282, mainly due to increases in contractual services. Total net position increased by \$1,077,790 from 2019, mainly attributable to the circumstances noted above.

Virginia Peninsula Regional Jail Authority
Management's Discussion and Analysis
June 30, 2020

Capital Assets

	<u>6/30/2020</u>	<u>6/30/2019</u>
Nondepreciable	\$ 885,546	\$ 944,523
Depreciable, net	<u>14,252,397</u>	<u>14,802,874</u>
Capital assets, net	<u>\$ 15,137,943</u>	<u>\$ 15,747,397</u>

During fiscal year 2020, the Authority purchased new vehicles, laundry equipment, software, and incurred construction in progress costs for security measures. The net effect of these additions and the current year's depreciation expense collectively comprise the decrease in capital assets from 2019.

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, 2020 and 2019 was \$1,213,568 and \$1,316,596, 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, 2020

Assets

Cash and short-term investments (Note 2)	\$ 4,688,064
Due from other governmental units (Note 3)	613,690
Due from James City County (Note 8)	9,555
Accounts receivable	65,641
Capital assets, net (Note 4):	
Nondepreciable	885,546
Depreciable, net	14,252,397
Net pension asset (Note 6)	3,208,910
Total assets	<u>23,723,803</u>

Deferred outflows of resources

Deferred pension outflows (Note 6)	726,837
Deferred retiree healthcare OPEB outflows (Note 7)	12,967
Deferred GLI OPEB outflows (Note 7)	79,648
Total deferred outflows of resources	<u>819,452</u>
Total assets and deferred outflows of resources	<u>\$ 24,543,255</u>

Liabilities

Accounts payable	\$ 272,339
Amounts held for others	13,596
Interest payable	2,882
Accrued payroll	83,747
Noncurrent liabilities (Notes 5 and 7):	
Due within one year	737,192
Due in more than one year	1,896,642
Total liabilities	<u>3,006,398</u>

Deferred inflows of resources

Deferred pension inflows (Note 6)	849,104
Deferred retiree healthcare OPEB inflows (Note 7)	89,507
Deferred GLI OPEB inflows (Note 7)	53,180
Total deferred inflows of resources	<u>991,791</u>

Net position

Net investment in capital assets	13,924,375
Restricted for pensions	3,208,910
Unrestricted	3,411,781
Total net position	<u>20,545,066</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 24,543,255</u>

See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority
Statement of Revenue, Expenses and Changes in Net Position
Year Ended June 30, 2020

Operating revenues

Fees from member jurisdictions	\$ 5,823,309
Commonwealth of Virginia	5,065,076
Telephone commissions	750,000
Miscellaneous	343,219
Federal government	182,406
Canteen sales	117,475
Work release fees	82,656
Rental income	3,837
Total operating revenues	<u>12,367,978</u>

Operating expenses

Salaries and benefits	7,096,146
Contractual services	1,336,332
Depreciation	946,015
Utilities	487,254
Food and food supplies	439,652
Medical supplies	266,281
Other supplies	173,921
Fiscal agent fee (Note 8)	127,278
Building maintenance	90,912
Furniture and equipment	67,075
Inmate betterment	63,341
Inmate clothing	43,572
Insurance	32,669
Indigent expenses	23,136
Transportation	18,800
Staff clothing	18,086
Staff development	15,107
Rental equipment	8,941
Other	113
Total operating expenses	<u>11,254,631</u>

Operating income 1,113,347

Nonoperating revenues (expenses)

Interest expense	(36,201)
Investment income	26,137
Loss on disposal of capital assets	(25,493)
Net nonoperating revenues (expenses)	<u>(35,557)</u>

Changes in net position 1,077,790

Net position, beginning of year 19,467,276

Net position, end of year \$ 20,545,066

See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority

Statements of Cash Flows

Year Ended June 30, 2020

Cash flows from operating activities:

Cash received from customers	\$ 12,330,677
Cash payments to suppliers for goods and services	(3,234,193)
Cash payments for personnel services	(7,698,781)
Net cash provided by operating activities	<u>1,397,703</u>

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(362,054)
Payment of debt	(103,028)
Interest paid	(36,446)
Net cash used in capital and financing activities	<u>(501,528)</u>

Cash flows from investment activities:

Interest received	<u>24,923</u>
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Increase in cash and short-term investments	921,098
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Cash and short-term investments, beginning of year	<u>3,766,966</u>
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Cash and short-term investments, end of year	<u><u>\$ 4,688,064</u></u>
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Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 1,113,347
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	946,015
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Due from other governmental units	(14,464)
Due from James City County	1,692
Accounts receivable	(24,529)
Accounts payable	5,587
Amounts held for others	(27,310)
Accrued payroll	76,752
Compensated absences	(80,213)
Net pension asset, deferred outflows/inflows	(579,551)
Retiree healthcare OPEB liability, deferred outflows/inflows	3,238
GLI OPEB liability, deferred outflows/inflows	(22,861)
Total adjustments	<u>284,356</u>

Net cash provided by operating activities	<u><u>\$ 1,397,703</u></u>
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See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

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 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, and neither the City Councils of the cities nor the Boards of Supervisors of the counties can impose their will on the Authority, and 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.

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.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

1) Summary of Significant Accounting Policies, 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.

Fees 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.

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.

2) Cash and Short-Term Investments

The Authority's cash and short-term investments at June 30, 2020 consisted of the following:

Bank deposits	\$	1,161,085
Short-term investments		<u>3,526,979</u>
Total	\$	<u>4,688,064</u>

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, 2020 were as follows:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Level</u>	<u>Maturity</u>	<u>Rated</u>
LGIP (amortized cost)	\$ 3,526,979	\$ 3,526,979	N/A	1 day	N/A
Total	<u>\$ 3,526,979</u>	<u>\$ 3,526,979</u>			

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

2) Cash and Short-Term Investments, Continued

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:

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, 2020, 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, 2020, the Authority's portfolio was invested entirely in the Commonwealth of Virginia LGIP account.

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2020

2) Cash and Short-Term Investments, Continued

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

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, 2020, 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, 2020, due from other governmental units consists of the following:

Commonwealth of Virginia	<u>\$ 613,690</u>
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4) Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020.

	Balances June 30, 2019	Increases	Decreases	Balances June 30, 2020
Capital assets, non-depreciable:				
Land and land improvements	\$ 885,546	\$ -	\$ -	\$ 885,546
Construction in progress	58,977	-	(58,977)	-
Total capital assets, non-depreciable	<u>944,523</u>	<u>-</u>	<u>(58,977)</u>	<u>885,546</u>
Capital assets, depreciable:				
Land improvements	-	72,800	-	72,800
Intangibles	-	41,250	-	41,250
Buildings and improvements	30,877,617	214,767	-	31,092,384
Furniture, equipment, and vehicles	2,174,738	92,214	(82,099)	2,184,853
Total capital assets, depreciable	<u>33,052,355</u>	<u>421,031</u>	<u>(82,099)</u>	<u>33,391,287</u>
Less accumulated depreciation:				
Land improvements	-	1,213	-	1,213
Intangibles	-	6,188	-	6,188
Buildings and improvements	16,523,991	795,094	-	17,319,085
Furniture, equipment, and vehicles	1,725,490	143,520	(56,606)	1,812,404
Total accumulated depreciation	<u>18,249,481</u>	<u>946,015</u>	<u>(56,606)</u>	<u>19,138,890</u>
Total capital assets, depreciable, net	<u>14,802,874</u>	<u>(524,984)</u>	<u>(25,493)</u>	<u>14,252,397</u>
Net capital assets	<u>\$ 15,747,397</u>	<u>\$ (524,984)</u>	<u>\$ (84,470)</u>	<u>\$ 15,137,943</u>

Virginia Peninsula Regional Jail Authority
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5) Long-Term Liabilities

A summary of the Authority's changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	Balance 6/30/2019	Increases	Decreases	Balance 6/30/2020	Due Within One Year
Compensated absences	\$ 706,925	\$ 922,932	\$ 1,003,145	\$ 626,712	\$ 626,712
Lease payable	1,316,596	-	103,028	1,213,568	110,480
Retiree healthcare OPEB	444,951	-	64,560	380,391	-
Group life insurance OPEB	399,000	14,163	-	413,163	-
Total	<u>\$ 2,867,472</u>	<u>\$ 937,095</u>	<u>\$ 1,170,733</u>	<u>\$ 2,633,834</u>	<u>\$ 737,192</u>

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:

	6/30/2020
Vacation	\$ 358,882
Sick	132,756
Holiday	135,074
Total	<u>\$ 626,712</u>

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 \$880,729 at June 30, 2020 and the Authority had interest payable of \$2,882 related to this agreement at June 30, 2020. The annual requirements for principal and related interest are as follows:

Year ended June 30	Principal	Interest
2021	110,480	33,430
2022	118,281	30,199
2023	126,446	26,741
2024	134,989	23,047
2025	143,925	19,106
2026-2029	579,447	31,979
Total	<u>\$ 1,213,568</u>	<u>\$ 164,502</u>

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.

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2020

6) Pensions, Continued

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

6) Pensions, Continued

<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><i>Hybrid Opt-In Election</i> VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><i>Hybrid Opt-In Election</i> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p><i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

6) Pensions, Continued

<p>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p>

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

6) Pensions, Continued

		<p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p>
<p>Calculating the Benefit</p> <p>The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p><i>Defined Benefit Component:</i></p> <p>See definition under Plan 1.</p> <p><i>Defined Contributions Component:</i></p> <p>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation</p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier</p> <p>VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier</p> <p>VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier</p> <p><i>Defined Benefit Component:</i></p> <p>VRS: The retirement multiplier for the defined benefit component is 1.00%.</p>

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

6) Pensions, Continued

<p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contributions Component:</i> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><i>Defined Contributions Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><i>Defined Contributions Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

6) Pensions, Continued

<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p>Political subdivisions hazardous duty employees: Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><i>Defined Contributions Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><i>Eligibility:</i> Same as Plan 1.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2.</p> <p><i>Defined Contributions Component:</i> Not applicable.</p> <p><i>Eligibility:</i> Same as Plan 1 and Plan 2.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.</p>

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

6) Pensions, Continued

<ul style="list-style-type: none"> • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><i>Defined Contributions Component:</i> Not applicable.</p>

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
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6) Pensions, Continued

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	67
Inactive members:	
Vested	22
Non-vested	119
Active elsewhere in VRS	79
Total inactive members	<u>220</u>
Active members	<u>129</u>
Total covered members	<u>416</u>

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, 2020, was 9.48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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. Contribution to the pension plan from the Authority was \$471,971 for the year ended June 30, 2020.

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, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions - General Employees

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

Inflation	2.50%
Salary increases, including inflation	3.5% – 5.35%
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 return 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.*

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2020

6) Pensions, Continued

Mortality rates:

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

Pre-Retirement:

RP-2014 employee rates to age 80, healthy annuitant rates at age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 employee rates to age 49, healthy annuitant rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 disability mortality rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

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

- Updated mortality rates (pre-retirement, post-retirement healthy, and disabled) to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and 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 in salary scale
- Increase rate of line of duty disability from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Inflation	2.50%
Salary increases, including inflation	3.50% – 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 return 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.*

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

6) Pensions, Continued

Mortality rates:

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

Pre-Retirement:

RP-2014 employee rates to age 80, healthy annuitant rates at age 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 employee rates to age 49, healthy annuitant rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 disability mortality rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

- Updated mortality rates (pre-retirement, post-retirement healthy, and disabled) to a more current mortality table – RP-2014 projected to 2020
- Increased retirement rates at age 50 and lowered rates at older ages
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better fit experience
- No change in salary scale
- Decrease rate of line of duty disability from 60% to 45%
- 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%	5.61%	1.91%
Fixed income	15.00%	0.88%	0.13%
Credit strategies	14.00%	5.13%	0.72%
Real assets	14.00%	5.27%	0.74%
Private equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP- Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

Virginia Peninsula Regional Jail Authority
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June 30, 2020

6) Pensions, Continued

**The above allocation provides a one-year return of 7.63%. 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%. 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.*

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, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019, 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, 2018	\$ 13,643,245	\$ 16,497,665	\$ (2,854,420)
Changes for the year:			
Service cost	844,875	-	844,875
Interest	934,640	-	934,640
Changes in benefit terms	-	-	-
Changes of assumptions	429,432	-	429,432
Differences between expected and actual experience	(765,242)	-	(765,242)
Contributions - employer	-	455,929	(455,929)
Contributions - employee	-	238,811	(238,811)
Net investment income	-	1,114,739	(1,114,739)
Benefit payments, including refunds of employee contributions	(582,480)	(582,480)	-
Administrative expenses	-	(10,577)	10,577
Other changes	-	(707)	707
Net changes	861,225	1,215,715	(354,490)
Balances at June 30, 2019	\$ 14,504,470	\$ 17,713,380	\$ (3,208,910)

Sensitivity of the Net Pension 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	\$ (1,344,140)	\$ (3,208,910)	\$ (4,685,921)

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2020

6) Pensions, Continued

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

For the year ended June 30, 2020, the Authority recognized pension expense (recovery) of \$(112,044).

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Employer contributions subsequent to measurement date	\$ 471,971	\$ -
Differences between expected and actual experience	-	692,114
Changes of assumptions	254,866	-
Net difference between projected and actual earnings on plan investments	-	156,990
Total	<u>\$ 726,837</u>	<u>\$ 849,104</u>

The \$471,971 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, 2021. 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	
2021	\$ (386,334)
2022	(211,863)
2023	(4,769)
2024	8,728
	<u>\$ (594,238)</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of that report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2019-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 an agent, 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 2020, the pre-Medicare retirees have a choice of two plans offered by Cigna. 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.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

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

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.

Actuarial Methods and Assumptions

For the actuarial valuation at January 1, 2020 (measurement date of June 30, 2019), 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 3.13% for June 30, 2019 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:

- 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

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

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

Changes in Assumptions Since Prior Valuation

- Discount rate was updated to 3.15% (the latest 20-year municipal GO AA Index as of June 30, 2019).
- 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, 2020, the Authority reported a retiree healthcare OPEB liability of \$380,391 for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2020, retiree healthcare OPEB liability was measured as of June 30, 2019, 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, 2020, 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 OPEB liability using the discount rate of 3.13%, 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 (2.13%) or one percentage point higher (4.13%) than the current rate for the measurement date of June 30, 2019:

	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Retiree Healthcare OPEB Liability	\$ 416,911	\$ 380,391	\$ 346,841

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%)	Ultimate Trend Rate (4.00%)	1% Increase (5.00%)
Retiree Healthcare OPEB Liability	\$ 335,910	\$ 380,391	\$ 432,839

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

For the year ended June 30, 2020, the Authority recognized retiree healthcare OPEB expense of \$25,307. 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, 2020, 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	\$ 12,967	\$ 40,617
Changes of assumptions	-	34,415
Change in proportion	-	14,475
Total	\$ 12,967	\$ 89,507

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

7) Other Post-Employment Benefits (OPEB), 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 as follows:

Year Ended	
2021	\$ (16,166)
2022	(16,166)
2023	(16,166)
2024	(16,168)
2025	(11,874)
Total	<u>\$ (76,540)</u>

Multiple Employer Cost-Sharing Plan – Group Life Insurance

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

Plan Description

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

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out below:

Eligible Employees: the Group Life Insurance Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: City of Richmond, City of Portsmouth, City of Roanoke, City of Norfolk, and Roanoke City School Board. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2020

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

Benefit Amounts: the benefits payable under the Group Life Insurance Program have several components.

- Natural death benefit - equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental death benefit - double the natural death benefit.
- Other benefit provisions - the program provides additional benefits provided under specific circumstances. These include:
 - o Accidental dismemberment benefit
 - o Safety belt benefit
 - o Repatriation benefit
 - o Felonious assault benefit
 - o Accelerated death benefit option

Reduction in benefit amounts: benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum benefit amount and Cost-of-living adjustment (COLA): for covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020, was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the Authority were \$26,085 and \$25,444 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the Authority reported a liability of \$413,163, for its proportionate share of the Net GLI OPEB liability. The Net GLI OPEB liability was measured as of June 30, 2019 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, 2018 and rolled forward to a measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Authority's proportion was 0.02539% as compared to 0.02628% at June 30, 2018.

For the year ended June 30, 2020, the Authority recognized GLI OPEB expense of \$3,340. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

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

At June 30, 2020, 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	\$ 27,478	\$ 5,359
Net difference between projected and actual investment earnings on OPEB Plan investments	-	8,487
Changes of assumptions	26,085	12,459
Changes in proportionate share	-	26,875
Employer contributions subsequent to the measurement date	26,085	-
Total	<u>\$ 79,648</u>	<u>\$ 53,180</u>

The \$26,085 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, 2021. 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	
2021	(4,746)
2022	(4,746)
2023	(1,151)
2024	3,614
2024	5,778
Thereafter	1,634
Total	<u>\$ 383</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	
General state employees	3.50% – 5.35%
Teachers	3.50% – 5.95%
SPORS employees	3.50% – 4.75%
ValORS employees	3.50% – 4.75%
JRS employees	4.50%
Locality – General employees	3.50% – 5.35%
Locality – Hazardous Duty employees	3.50% – 4.75%
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 return 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 OPEB liabilities.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

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

Mortality Rates:

	<i>Pre-Retirement</i>	<i>Post-Retirement</i>	<i>Post-Disablement</i>
General State Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.
Teachers	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.	RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females
SPORS Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.
VaLORS Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.
JRS Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

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

Mortality Rates:

	<i>Pre-Retirement</i>	<i>Post-Retirement</i>	<i>Post-Disablement</i>
Largest 10 Locality Employers - General Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.
Non-Largest 10 Locality Employers - General Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.
Largest 10 Locality Employers - Hazardous Duty Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.
Non-Largest 10 Locality Employers - Hazardous Duty Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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%

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

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

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%

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%

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

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

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%

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%

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
Net GLI OPEB Liability (Asset)	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a % of the Total GLI OPEB Liability	52.00%

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's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Onvestment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.63%</u>

**The above allocation provides a one-year return of 7.63%. 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%. 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.*

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2020

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the 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	\$ 542,781	\$ 413,163	\$ 308,045

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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 \$127,278 for the year ended June 30, 2020.

At June 30, 2020, the County owed \$9,555 to the Authority 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, 2020 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 August 2018, the Authority entered into an agreement with MEDIKO, P.C. (MEDIKO) for primary care medical services and mental health services for inmates. The initial term of the contract commenced on September 1, 2018, and was terminated during fiscal year 2020. The Authority paid \$110,574 to MEDIKO in fiscal year 2020 related to this agreement prior to its termination, and this amount is included in contractual services on the statement of revenues, expenses, and changes in net position.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2020

9) Commitments, Continued

In November 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 for up to two additional one-year renewals. Per the agreement, the Authority would pay Four Hundred Thirty Thousand Dollars (\$430,000) per year. The annual rate is dependent upon inmate population levels; changes in those levels could result in increases to the annual rate. The Authority paid \$282,837 to Qualis Group LLC in fiscal year 2020 related to this agreement, which 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 2020, 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.

The Authority incurred \$49,996 of operational expenses in response to the COVID-19 pandemic as of June 30, 2020, related to the purchase of protective, sanitary, and disinfecting supplies, as required to adhere to local and state safety protocols.

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.

* * * * *

Required Supplementary Information

Virginia Peninsula Regional Jail Authority
Schedule of Changes in the Net Pension Asset and Related Ratios
Last Ten Fiscal Years (1) *

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 844,875	\$ 824,692	\$ 815,014	\$ 774,740	\$ 755,721	\$ 696,818
Interest	934,640	924,417	857,808	840,404	751,781	685,356
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(765,242)	(898,906)	37,356	(886,823)	183,103	-
Changes in assumptions	429,432	-	(99,812)	-	-	-
Benefit payments, including refunds of employee contributions	(582,480)	(825,831)	(491,774)	(467,611)	(381,528)	(484,966)
Net change in total pension liability	861,225	24,372	1,118,592	260,710	1,309,077	897,208
Total pension liability, beginning	13,643,245	13,618,873	12,500,281	12,239,571	10,930,494	10,033,286
Total pension liability, ending	\$ 14,504,470	\$ 13,643,245	\$ 13,618,873	\$ 12,500,281	\$ 12,239,571	\$ 10,930,494
Plan fiduciary net position						
Contributions - employer	455,929	429,876	429,635	552,590	516,601	628,274
Contributions - employee	238,811	242,861	242,980	244,984	236,366	223,741
Net investment income	1,114,739	1,147,713	1,683,653	242,074	569,404	1,633,051
Benefit payments, including refunds of employee contributions	(582,480)	(825,831)	(491,774)	(467,611)	(381,528)	(484,966)
Administrative expense	(10,577)	(9,799)	(9,348)	(7,839)	(7,304)	(8,404)
Other	(707)	(1,024)	(1,516)	(100)	(121)	86
Net change in plan fiduciary net position	1,215,715	983,796	1,853,630	564,098	933,418	1,991,782
Plan fiduciary net position, beginning	16,497,665	15,513,869	13,660,239	13,096,141	12,162,723	10,170,941
Plan fiduciary net position, ending	\$ 17,713,380	\$ 16,497,665	\$ 15,513,869	\$ 13,660,239	\$ 13,096,141	\$ 12,162,723
Net pension asset	\$ (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	122.12%	120.92%	113.91%	109.28%	107.00%	111.27%
Covered payroll	\$ 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	(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
2020	\$ 471,971	\$ 471,971	\$ -	\$ 4,978,010	9.48%
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.

* 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's Share of Retiree Healthcare OPEB Liability (1) (2)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

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

	2020	2019	2018
Employer's proportion of the net GLI OPEB liability	0.02539%	0.02628%	0.02673%
Employer's proportionate share of the net GLI OPEB liability	\$ 413,163	\$ 399,000	\$ 403,000
Employer's covered payroll	\$ 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	8.51%	8.14%	8.23%
Plan fiduciary net position as a % of total GLI OPEB liability	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.

See accompanying notes and independent auditor's report.

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)
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
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.

* 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
Note to Required Supplemental Information
Year ended June 30, 2020

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

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 extended 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 15%
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 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 match 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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Virginia Peninsula Regional Jail Authority
 Note to Required Supplemental Information
 Year ended June 30, 2020

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%

See accompanying independent auditor's report.

Virginia Peninsula Regional Jail Authority
 Note to Required Supplemental Information
 Year ended June 30, 2020

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%

See accompanying independent auditor's report.

Virginia Peninsula Regional Jail Authority
 Note to Required Supplemental Information
 Year ended June 30, 2020

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 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:

<u>Measurement Date</u>	<u>Discount Rate</u>
June 30, 2017	3.58%
June 30, 2018	3.62%
June 30, 2019	3.13%

See accompanying independent auditor's report.

Supplementary Information

Virginia Peninsula Regional Jail Authority

Combining Statement of Net Position

June 30, 2020

	<u>General Fund</u>	<u>Work Release Fund</u>	<u>Canteen Fund</u>	<u>Total</u>
Assets				
Cash and short-term investments	\$ 4,459,001	\$ 110,419	\$ 118,644	\$ 4,688,064
Due from other governmental units	613,690	-	-	613,690
Due from James City County	9,555	-	-	9,555
Accounts receivable	57,295	-	8,346	65,641
Capital assets, net				
Nondepreciable	885,546	-	-	885,546
Depreciable, net	14,252,397	-	-	14,252,397
Net pension asset	3,208,910	-	-	3,208,910
Total assets	<u>23,486,394</u>	<u>110,419</u>	<u>126,990</u>	<u>23,723,803</u>
Deferred outflows of resources				
Deferred pension outflows	726,837	-	-	726,837
Deferred retiree healthcare OPEB outflows	12,967	-	-	12,967
Deferred GLI OPEB outflows	79,648	-	-	79,648
Total deferred outflows of resources	<u>819,452</u>	<u>-</u>	<u>-</u>	<u>819,452</u>
Total assets and deferred outflows of resources	<u>\$ 24,305,846</u>	<u>\$ 110,419</u>	<u>\$ 126,990</u>	<u>\$ 24,543,255</u>
Liabilities				
Accounts payable	\$ 234,501	\$ 1,522	\$ 36,316	\$ 272,339
Amounts held for others	-	-	13,596	13,596
Interest payable	2,882	-	-	2,882
Accrued payroll	83,747	-	-	83,747
Noncurrent liabilities				
Due within one year	737,192	-	-	737,192
Due in more than one year	1,896,642	-	-	1,896,642
Total liabilities	<u>2,954,964</u>	<u>1,522</u>	<u>49,912</u>	<u>3,006,398</u>
Deferred inflows of resources				
Deferred pension inflows	849,104	-	-	849,104
Deferred retiree healthcare OPEB inflows	89,507	-	-	89,507
Deferred GLI OPEB inflows	53,180	-	-	53,180
Total deferred inflows of resources	<u>991,791</u>	<u>-</u>	<u>-</u>	<u>991,791</u>
Net position				
Net investment in capital assets	13,924,375	-	-	13,924,375
Restricted for pensions	3,208,910	-	-	3,208,910
Unrestricted	3,225,806	108,897	77,078	3,411,781
Total net position	<u>20,359,091</u>	<u>108,897</u>	<u>77,078</u>	<u>20,545,066</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 24,305,846</u>	<u>\$ 110,419</u>	<u>\$ 126,990</u>	<u>\$ 24,543,255</u>

See independent auditor's report.

Virginia Peninsula Regional Jail Authority
Combining Statement of Revenue, Expenses and Changes in Net Position
Year Ended June 30, 2020

	<u>General Fund</u>	<u>Work Release Fund</u>	<u>Canteen Fund</u>	<u>Total</u>
Operating revenues				
Fees from member jurisdictions	\$ 5,823,309	\$ -	\$ -	\$ 5,823,309
Commonwealth of Virginia	5,065,076	-	-	5,065,076
Federal government	182,406	-	-	182,406
Telephone commissions	750,000	-	-	750,000
Miscellaneous	343,219	-	-	343,219
Canteen sales	-	-	117,475	117,475
Work release fees	-	82,656	-	82,656
Rental income	3,837	-	-	3,837
Total operating revenues	<u>12,167,847</u>	<u>82,656</u>	<u>117,475</u>	<u>12,367,978</u>
Operating expenses				
Salaries and benefits	7,096,146	-	-	7,096,146
Contractual services	1,336,332	-	-	1,336,332
Depreciation	946,015	-	-	946,015
Utilities	487,254	-	-	487,254
Food and food supplies	439,652	-	-	439,652
Building maintenance	90,912	-	-	90,912
Other supplies	144,989	28,932	-	173,921
Fiscal agent fee	127,278	-	-	127,278
Medical supplies	266,281	-	-	266,281
Furniture and equipment	67,075	-	-	67,075
Inmate betterment	-	-	63,341	63,341
Transportation	18,800	-	-	18,800
Insurance	32,669	-	-	32,669
Staff clothing	18,086	-	-	18,086
Inmate clothing	43,572	-	-	43,572
Staff development	15,107	-	-	15,107
Indigent expenses	-	-	23,136	23,136
Rental equipment	8,941	-	-	8,941
Other	113	-	-	113
Total operating expenses	<u>11,139,222</u>	<u>28,932</u>	<u>86,477</u>	<u>11,254,631</u>
Operating income	<u>1,028,625</u>	<u>53,724</u>	<u>30,998</u>	<u>1,113,347</u>
Nonoperating revenues				
Interest expense	(36,201)	-	-	(36,201)
Investment income	26,137	-	-	26,137
Loss on disposal of capital assets	(25,493)	-	-	(25,493)
Net nonoperating revenues	<u>(35,557)</u>	<u>-</u>	<u>-</u>	<u>(35,557)</u>
Changes in net position	993,068	53,724	30,998	1,077,790
Net position, beginning of year	<u>19,376,271</u>	<u>58,501</u>	<u>32,504</u>	<u>19,467,276</u>
Net position, end of year	<u>\$ 20,369,339</u>	<u>\$ 112,225</u>	<u>\$ 63,502</u>	<u>\$ 20,545,066</u>

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
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
2011	120,196	3.50

Virginia Peninsula Regional Jail Authority
State Revenue
Last 10 Fiscal Years

Table 2

Year	State revenue	Percentage of operational expenses
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%
2011	4,647,650	48.0%

Virginia Peninsula Regional Jail Authority

State Per Diems
Last 10 Fiscal Years

Table 3

Year	State per diems	Local average daily population
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
2011	1,001,828	421.9

Virginia Peninsula Regional Jail Authority
Medical Costs
Last 10 Fiscal Years

Table 4

Year	Medical services and medical supply costs	Average cost per inmate
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
2011	831,798	1,936

Virginia Peninsula Regional Jail Authority
Food Supplies
Last 10 Fiscal Years

Table 5

Year	Food and food supplies	Average daily cost per inmate
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

**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 Virginia Peninsula Regional Jail Authority as of and for the year ended June 30, 2020, 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 16, 2020.

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.

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 16, 2020

VIRGINIA PENINSULA REGIONAL JAIL AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2020

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the 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