Shenandoah Valley Juvenile Center Commission

Financial Report

Year Ended June 30, 2020

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION

COMMISSION MEMBERS

Locality	Member
City of Lexington	Jim Halasz
City of Harrisonburg	Eric Campbell
County of Augusta	Timothy Fitzgerald
County of Rockbridge	Spencer H. Suter, Vice Chairman
County of Rockingham	Stephen King, Chairman
City of Staunton	Steve Rosenberg
City of Waynesboro	Michael G. Hamp

OTHER OFFICIALS

Timothy J. Showalter	Executive Director/Treasurer
Dianne Hill	Secretary

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INDEPENDENT AUDITORS' REPORT

TO THE COMMISSION MEMBERS
SHENANDOAH VALLEY JUVENILE CENTER COMMISSION
STAUNTON, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Shenandoah Valley Juvenile Center Commission, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Shenandoah Valley Juvenile Center Commission, as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules related to pension and OPEB funding on pages 43-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Shenandoah Valley Juvenile Center Commission's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Shenandoah Valley Juvenile Center Commission's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, on our consideration of the Shenandoah Valley Juvenile Center Commission'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 not to provide an opinion on the effectiveness of Shenandoah Valley Juvenile Center Commission'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 Shenandoah Valley Juvenile Center Commission's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
September 24, 2020

BASIC FINANCIAL STATEMENTS

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION **Exhibit 1**

Statement of Net Position
June 30, 2020
With Comparative Totals for 2019

ASSETS		**2020**		**2019**
Current Assets:				
Cash and cash equivalents	$	878,045	$	783,539
Accounts receivable		73,126		24,339
Due from federal government		328,155		361,455
Prepaid items		3,197		4,883
Other receivables		1,138		-
Total current assets	$	1,283,661	$	1,174,216
Noncurrent Assets:				
Cash and cash equivalents (for capital projects)	$	2,364,742	$	2,057,782
Capital assets, net of accumulated depreciation:				
Land	$	545,276	$	545,276
Building and improvements		9,193,395		9,305,642
Equipment		144,298		74,527
Vehicles		33,013		45,793
Construction work in progress		17,600		-
Net capital assets	$	9,933,582	$	9,971,238
Total noncurrent assets	$	12,298,324	$	12,029,020
Total assets	$	13,581,985	$	13,203,236
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$	243,539	$	156,155
OPEB related items		104,363		78,695
Total deferred outflows of resources	$	347,902	$	234,850
LIABILITIES				
Current liabilities:				
Accounts payable - operations	$	191,321	$	78,810
Accrued payroll		169,258		170,562
Accrued interest payable		-		813
Unearned revenue - community placement initiative		-		206,080
Revenue bonds - current portion		-		600,000
Total current liabilities	$	360,579	$	1,056,265
Noncurrent liabilities:				
Net OPEB liabilities	$	734,236	$	1,726,459
Net pension liability		483,191		450,731
Compensated absences		194,384		182,197
Total noncurrent liabilities	$	1,411,811	$	2,359,387
Total liabilities	$	1,772,390	$	3,415,652
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$	152,024	$	114,338
OPEB related items		1,011,622		28,000
Total deferred inflows of resources	$	1,163,646	$	142,338
NET POSITION				
Investment in capital assets	$	9,933,582	$	9,371,238
Unrestricted		1,060,269		508,858
Total net position	$	10,993,851	$	9,880,096

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

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION **Exhibit 2**

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020
With Comparative Totals for 2019

	2020	2019
Operating Revenues:		
Participant assessments	$ 923,000	$ 923,840
Non-participant assessments	54,075	129,517
State wards assessments	4,750	2,900
DJJ reentry - child care	12,235	-
DJJ direct intake	96,118	48,125
Community placement initiative	826,085	745,853
Contractual assessments	18,600	18,600
Other revenues	6,326	5,139
Total operating revenues	$ 1,941,189	$ 1,873,974
Operating Expenses:		
Personnel services	$ 3,670,189	$ 3,720,056
Fringe benefits	1,038,088	1,227,020
Contractual services	278,512	819,012
Other charges	1,058,679	1,118,181
Depreciation expense	335,014	332,640
Total operating expenses	$ 6,380,482	$ 7,216,909
Net operating income (loss)	$ (4,439,293)	$ (5,342,935)
Nonoperating Revenues (Expenses):		
State Block Grant	$ 1,107,732	$ 1,086,509
VML Risk Management Safety Grant	3,531	-
Federal USDA funds	67,155	103,349
Federal Unaccompanied Alien Children Grant	4,321,561	4,562,914
Interest income	7,288	6,451
Gain (loss) on disposal of assets	3,500	6,400
Insurance recoveries	48,795	-
Interest expense	(6,514)	(16,277)
Total nonoperating income (expenses)	$ 5,553,048	$ 5,749,346
Change in net position	$ 1,113,755	$ 406,411
Net position, beginning of year	9,880,096	9,473,685
Net position, end of year	$ 10,993,851	$ 9,880,096

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

Statement of Cash Flows
Year Ended June 30, 2020
With Comparative Totals for 2019

	2020	2019
Cash flows from operating activities:		
Receipts from customers and users	$ 1,685,184	$ 1,718,723
Payments to suppliers	(1,222,994)	(1,999,317)
Payments to employees	(4,748,901)	(4,885,449)
Net cash provided by (used for) operating activities	$ (4,286,711)	$ (5,166,043)
Cash flows from noncapital financing activities:		
Nonoperating grants received	$ 5,533,279	$ 5,581,021
Cash flows from capital and related financing activities:		
Purchases of property, plant and equipment	$ (297,358)	$ (36,459)
Sale of property, plant and equipment	3,500	6,400
Repayment of debt	(600,000)	(600,000)
Insurance recoveries	48,795	-
Interest expense	(7,327)	(17,089)
Net cash provided by (used for) capital and related financing activities	$ (852,390)	$ (647,148)
Cash flows from investing activities:		
Interest income	$ 7,288	$ 6,451
Increase (decrease) in cash and cash equivalents	$ 401,466	$ (225,719)
Cash and cash equivalents, (including restricted cash and cash equivalents) at beginning of year	2,841,321	3,067,040
Cash and cash equivalents, (including restricted cash and cash equivalents) at end of year	$ 3,242,787	$ 2,841,321
Reconciliation of net operating income (loss) to net cash provided by (used for) by operating activities:		
Operating income (loss)	$ (4,439,293)	$ (5,342,935)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:		
Depreciation	335,014	332,640
Changes in operating assets, deferred outflows/inflows of resources, and liabilities:		
(Increase) decrease in receivables	(49,925)	(8,051)
(Increase) decrease in prepaid items	1,686	(3,586)
(Increase) decrease in deferred outflows of resources	(113,052)	(55,498)
Increase (decrease) in accounts payable	112,511	(58,538)
Increase (decrease) in accrued payroll	(1,304)	647
Increase (decrease) in unearned revenue	(206,080)	(147,200)
Increase (decrease) in deferred inflows of resources	1,021,308	(163,977)
Increase (decrease) in compensated absences	12,187	(30,969)
Increase (decrease) in net pension liability	32,460	(2,662)
Increase (decrease) in net OPEB liabilities	(992,223)	314,086
Net cash provided by (used for) operating activities	$ (4,286,711)	$ (5,166,043)

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

NOTE 1—FORMATION OF THE SHENANDOAH VALLEY JUVENILE CENTER COMMISSION:

The Shenandoah Valley Juvenile Center Commission (the "Commission") was established on March 17, 1966 as a regional juvenile detention commission pursuant to 16.1-315 of the Code of Virginia of 1950, as amended. Since establishment, membership of the Commission has been amended over the years. Currently, one member from each of the political subdivisions of Cities of Staunton, Waynesboro, Harrisonburg, and Lexington, Virginia and Counties of Augusta, Rockingham, and Rockbridge, Virginia represent the Commission. Membership of the Commission consists of only one (1) member from each sponsoring local government. The purpose for which the Commission was formed is to provide a regional juvenile home for children with court orders to be admitted.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

The Commission provides the services mentioned above to the citizens of its participating governments. However, the participating governments do not have a financial interest or responsibility to the Commission. The Commission's governing body is composed of one member appointed by each participating locality. Therefore, none of the participants appoints a voting majority of board members. The Commission is perpetual and no participating government has access to its resources or surpluses, nor is any participant liable for the Commissions debts or deficits. The Commission also has the ability to finance its capital projects through participant assessments or the sale of revenue bonds.

Based on the above representations, the Shenandoah Valley Juvenile Center Commission has been determined to be a jointly governed organization of the Cities of Staunton, Waynesboro, Harrisonburg, and Lexington, Virginia, and the Counties of Augusta, Rockbridge, and Rockingham, Virginia. The Commission is not a component unit of any of the participating governments. The Commission does not have any component units.

B. Basic Financial Statements and Required Supplementary Information

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

- Management's discussion and analysis (management has elected not to present this information)
- Enterprise fund financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Employer Contributions – Pension Plan
- Notes to Required Supplementary Information – Pension Plan
- Schedule of Commission's Share of Net OPEB Liability – Group Life Insurance (GLI) Plan

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Basic Financial Statements and Required Supplementary Information (Continued)

- Schedule of Employer Contributions – Group Life Insurance (GLI) Plan
- Notes to Required Supplementary Information – Group Life Insurance (GLI) Plan
- Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios – Medical, Dental, Prescription Insurance
- Notes to Required Supplementary Information – Medical, Dental, Prescription Insurance
- Schedule of Changes in the Commission's Net OPEB Liability – Health Insurance Credit (HIC) Plan
- Schedule of Employer Contributions – Health Insurance Credit (HIC) Plan
- Notes to Required Supplementary Information – Health Insurance Credit (HIC) Plan
- Schedule of Commission's Share of Net OPEB Liability - Virginia Local Disability Program (VLDP)
- Schedule of Employer Contributions – Virginia Local Disability Program (VLDP)
- Notes to Required Supplementary Information – Virginia Local Disability Program (VLDP)

C. Basis of Accounting

Shenandoah Valley Juvenile Center Commission operates as an enterprise fund, and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Commission accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Commission distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are charges to participants for child care. Operating expenses include the cost of child care services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Net Position

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Net Position Flow Assumption

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

F. Cash and Cash Equivalents

The Commission's cash and cash equivalents consist of cash on hand, demand deposits, and certificates of deposit, generally with an original maturity of three months or less from the date of acquisition, all of which are readily convertible to known amounts of cash.

G. Allowance for Doubtful Accounts

The Commission bills its customers monthly for substantially all of its services. Since no significant bad debts have been incurred, no provision for doubtful accounts is considered necessary at this time.

H. Inventory

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

I. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than $3,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the years ended June 30, 2020 and June 30, 2019.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	50
Equipment	5-10
Vehicles	5
Software	3

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

J. Noncurrent Assets

Noncurrent assets include cash and cash equivalents committed by the Commission for future capital outlay, in the amount of $2,364,742 and $2,057,782 for the years ended June 30, 2020 and 2019, respectively.

K. Use of Estimates

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

L. Comparative Totals

Comparative amounts for the prior year are presented for informational purposes only. Certain reclassifications have been made to the prior year amounts to provide a more comparable presentation with the current year financial reporting.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Commission has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on this item, reference the related notes.

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

N. Pensions

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

O. Other Postemployment Benefits (OPEB)

VRS Related OPEB

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

Medical, Dental, and Prescription Insurance – Pay as You Go Program

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined based on an actuarial valuation. Benefit payments are recognized when due and payable in accordance with the benefit terms.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

The Commission held no such investments at year end.

NOTE 4—COMPENSATED ABSENCES:

Full-time regular Commission employees earn vacation leave each month at a scheduled rate in accordance with their years of service and sick leave at the rate of one workday per month. Accumulated unpaid vacation and other compensatory leave amounts are accrued when incurred. An employee with at least five years of continuous service, upon separation, will be paid for twenty-five (25) percent of unused sick leave, not to exceed $5,000. At June 30, 2020 and 2019, the liability for accrued vacation leave and accrued sick leave was $194,384 and $182,197, respectively.

NOTE 5—PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

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

NOTE 5—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provision to the General Assembly of Virginia.

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:

	Number
Inactive members or their beneficiaries currently receiving benefits	28
Inactive members:	
Vested inactive members	18
Non-vested inactive members	60
Inactive members active elsewhere in VRS	51
Total inactive members	129
Active members	83
Total covered employees	240

NOTE 5—PENSION PLAN: (CONTINUED)

Contributions

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

The Commission's contractually required employer contribution rate for the year ended June 30, 2020 was 4.27% 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were $106,192 and $112,163 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Shenandoah Valley Juvenile Center Commission, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability 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 Commission'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% – 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.

NOTE 5—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (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 ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates at 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:

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 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	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTE 5—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	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%

* 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; the Commission was also provided with an opportunity to use an alternative 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.

NOTE 5—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) - (b)
Balances at June 30, 2018	$ 6,013,033	$ 5,562,302	$ 450,731
Changes for the year:			
Service cost	$ 230,124	$ -	$ 230,124
Interest	406,124	-	406,124
Changes of assumptions	175,318	-	175,318
Differences between expected and actual experience	(156,256)	-	(156,256)
Contributions - employer	-	111,675	(111,675)
Contributions - employee	-	149,320	(149,320)
Net investment income	-	365,775	(365,775)
Benefit payments, including refunds of employee contributions	(422,530)	(422,530)	-
Administrative expenses	-	(3,690)	3,690
Other changes	-	(230)	230
Net changes	$ 232,780	$ 200,320	$ 32,460
Balances at June 30, 2019	$ 6,245,813	$ 5,762,622	$ 483,191

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Commission's Net Pension Liability (Asset)	$ 1,282,338	$ 483,191	$ (142,391)

NOTE 5—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2020, the Commission recognized pension expense of $88,466. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,661	$ 103,108
Change of assumptions	115,686	-
Net difference between projected and actual earnings on pension plan investments	-	48,916
Employer contributions subsequent to the measurement date	106,192	-
Total	$ 243,539	$ 152,024

$106,192 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability 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 in future reporting periods as follows:

Year ended June 30,	
2021	$ 26,951
2022	(44,192)
2023	(995)
2024	3,559
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also 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 https://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.

NOTE 6—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under the specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,463 as of June 30, 2020.

NOTE 6—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% 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 Plan from the entity were $16,849 and $17,279 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the entity reported a liability of $275,333 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 the 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 participating employer's proportion was .01692% as compared to .01685% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of $12,182. 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.

At June 30, 2020, the employer 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	$ 18,311	$ 3,570
Net difference between projected and actual earnings on GLI OPEB plan investments	-	5,656
Change in assumptions	17,383	8,303
Changes in proportion	23,302	-
Employer contributions subsequent to the measurement date	16,849	-
Total	$ 75,845	$ 17,529

NOTE 6—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

$16,849 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 June 30		
2021	$	6,793
2022		6,794
2023		9,189
2024		10,015
2025		7,040
Thereafter		1,636

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. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
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.

NOTE 6—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:
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.

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:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

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

		GLI OPEB Plan
Total GLI OPEB Liability	$	3,390,238
Plan Fiduciary Net Position		1,762,972
GLI Net OPEB Liability (Asset)	$	1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

NOTE 6—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	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%

*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.

NOTE 6—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 ended 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 Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	**Current Discount (6.75%)**	**1% Increase (7.75%)**
Shenandoah Valley Juvenile Center Commission's proportionate share of the Group Life Insurance Plan Net OPEB Liability (Asset)	$ 361,712	$ 275,333	$ 205,283

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan'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.

NOTE 7—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):

Plan Description

In addition to the pension benefits described in Note 5 and other postemployment benefits described in Notes 6, 8, and 9, the Commission administers a single-employer defined benefit healthcare plan, the Shenandoah Valley Juvenile Center OPEB Plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the Commission's pension plan. The plan does not issue a publicly available financial report**.**

Benefits Provided

Postemployment benefits that are provided to eligible retirees include Medical, Dental, and Prescription insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Commission who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

Plan Membership

At June 30, 2019 (the measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	82
Total	82

Contributions

The Commission does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Commission. The Commission did not make contributions for the pay as you go OPEB plan during the year ended June 30, 2020.

Total OPEB Liability

The Commission's total OPEB liability was measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Salary Increases	2.2% increases annually
Discount Rate	3.13%

Healthcare cost trend or Mortality rates were based upon the following assumptions: For Health Pre-Retirement, Pub-2010 General Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale; For Healthy Post-Employment, Pub-2010 General Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale; For Disabled, Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale.

NOTE 7—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate is based on an index rate for 20 year tax-exempt general obligation municipal bond yield for AA/Aa rated bonds. The final equivalent single discount rate used for this year's valuation is 3.13% as of June 30, 2019.

Changes in Total OPEB Liability

		Commission Total OPEB Liability
Balances at June 30, 2019	$	1,432,459
Changes for the year:		
Service cost		79,899
Interest		55,579
Changes in assumptions		(1,149,925)
Net changes		(1,014,447)
Balances at June 30, 2020	$	418,012

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the Commission, as well as what the total 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 discount rate:

Rate					
	1% Decrease (2.13%)		Current Discount (3.13%)		1% Increase (4.13%)
$	468,941	$	418,012	$	371,960

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Commission, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current healthcare cost trend rates:

Rates					
	1% Decrease (3.00%)		Healthcare Cost Trend (4.00%)		1% Increase (5.00%)
$	339,236	$	418,012	$	516,992

NOTE 7—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2020, the Commission recognized OPEB expense in the amount of $(28,797). At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	Deferred Outflows of Resouces	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 985,650
Total	$ -	$ 985,650

Amounts reported as deferred inflows of resources related to the OPEB Plan will be recognized in the OPEB expense in future reporting periods as follows:

Year Ended June 30	
2021	$ (164,275)
2022	(164,275)
2023	(164,275)
2024	(164,275)
2025	(164,275)
Thereafter	(164,275)

Additional disclosures on changes in total OPEB liability and related ratios can be found on the required supplementary information following the notes.

NOTE 8—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

NOTE 8—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for HIC as a retiree.

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	17
Total inactive members	17
Active members	83
Total covered employees	100

NOTE 8—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The Commission contractually required employer contribution rate for the year ended June 30, 2020 was 0.14% 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 was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Commission to the HIC Plan were $4,528 and $4,603 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net HIC OPEB Liability

The Commission net HIC OPEB liability was measured as of June 30, 2019. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions

The total HIC 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:	
Locality - General employees	3.50%-5.35%
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 the OPEB liabilities.

NOTE 8—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

Pre-Retirement:
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.

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 Life Mortality Table 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:

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 14.00% to 15.00%
Discount Rate	Decreased from 7.00% to 6.75%

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NOTE 8—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	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%

*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 HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy 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 ended June 30, 2019, the rate contributed by the entity for the HIC 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 HIC 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 HIC OPEB liability

NOTE 8—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	$ 93,000	$ 60,000	$ 33,000
Changes for the year:			
Service cost	$ 2,641	$ -	$ 2,641
Interest	6,300	-	6,300
Differences between expected and actual experience	(5,494)	-	(5,494)
Assumption changes	1,955	-	1,955
Contributions - employer	-	4,595	(4,595)
Net investment income	-	3,770	(3,770)
Benefit payments	(7,074)	(7,074)	-
Administrative expenses	-	(81)	81
Other changes	534	498	36
Net changes	$ (1,138)	$ 1,708	$ (2,846)
Balances at June 30, 2019	$ 91,862	$ 61,708	$ 30,154

Sensitivity of the Commission's Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

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

		Rate	
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Commission's Net HIC OPEB Liability	$ 38,817	$ 30,154	$ 22,773

NOTE 8—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2020, the Commission recognized HIC Plan OPEB expense of $4,344. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to the Commission's HIC Plan from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	3,321	$	4,716
Net difference between projected and actual earnings on HIC OPEB plan investments		300		1,005
Change in assumptions		1,678		1,131
Employer contributions subsequent to the measurement date		4,528		-
Total	$	9,827	$	6,852

$4,528 reported as deferred outflows of resources related to the HIC OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC 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 HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30		
2021	$	(538)
2022		(537)
2023		(62)
2024		133
2025		(16)
Thereafter		(533)

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan 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.

NOTE 9—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OBEP PLAN):

Plan Description

Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia.

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

Eligible Employees

The Political Subdivision VLDP was implemented January 1, 2014 to provide benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision VLDP.

Benefit Amounts

The VLDP provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related for work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The VLDP provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

VLDP Notes

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

NOTE 9—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2020 was 0.72% of covered employee compensation for employees in the VRS Political Subdivision VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Commission to the VRS Political Subdivision VDLP were $12,961 and $11,813 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the Commission reported a liability of $10,737 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2019 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Commission's proportion of the Net VLDP OPEB Liability was based on the Commission's actuarially determined employer contributions to the VLDP OPEB plan 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 Commission's proportion of the VLDP was 0.52999% as compared to 0.64028% at June 30, 2018.

For the year ended June 30, 2020, the Commission recognized VLDP OPEB expense of $12,446. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,385	$ 330
Net difference between projected and actual earnings on VLDP OPEB program investments	37	-
Change in assumptions	308	411
Changes in proportion		850
Employer contributions subsequent to the measurement date	12,961	-
Total	$ 18,691	$ 1,591

NOTE 9— VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

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

$12,961 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP 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 VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

Year Ended June 30		
2021	$	863
2022		856
2023		851
2024		862
2025		830
Thereafter		(123)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP 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%-5.95%
Investment rate of return	6.75%, net of program 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.

NOTE 9—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees

Pre-Retirement:
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.

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 with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
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 and VRS Board action are as follows:

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 year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount rate	Increased rate from 7.00% to 6.75%

Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

		Political Subdivision VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	$	3,989
Plan Fiduciary Net Position		1,962
Political Subdivision net VLDP OPEB Liability (Asset)	$	2,027
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		49.19%

NOTE 9—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Net VLDP OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS 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%

*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.

NOTE 9—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by the Commission for the VLDP was 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, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB 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 VLDP OPEB liability.

Sensitivity of the Commission's Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate

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

		Rate	
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Shenandoah Valley Juvenile Center Commission's proportionate share of the Net VLDP OPEB Liability	$ 12,347	$ 10,737	$ 9,329

VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP'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.

NOTE 10—SUMMARY OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS:

The following is a summary of the Commission's OPEB plans as of June 30, 2020:

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Program (Note 6)	$ 75,845	$ 17,529	$ 275,333	$ 12,182
Health Insurance Credit Program (Note 8)	9,827	6,852	30,154	4,344
Virginia Local Disability Program (Note 9)	18,691	1,591	10,737	12,446
Stand-Alone Plan (Note 7)	-	985,650	418,012	(28,797)
Totals	$ 104,363	$ 1,011,622	$ 734,236	$ 175

NOTE 11—ASSESSMENTS TO PARTICIPANTS:

Assessments to participants were based on budget estimates and allocated by the percentage of participant usage of the Home during the previous completed calendar year as follows:

	2020		2019	
	Percent	Assessment	Percent	Assessment
County of Augusta, Virginia	22.81%	$ 210,536	20.75%	$ 191,696
City of Harrisonburg, Virginia	25.06%	231,304	28.18%	260,337
City of Lexington, Virginia	0.05%	462	0.08%	740
County of Rockbridge, Virginia	3.81%	35,166	5.08%	46,932
County of Rockingham, Virginia	19.16%	176,847	17.78%	164,259
City of Staunton, Virginia	10.84%	100,053	12.36%	114,187
City of Waynesboro, Virginia	18.27%	168,632	15.77%	145,689
Total	100.00%	$ 923,000	100.00%	$ 923,840

NOTE 12—RISK MANAGEMENT:

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Commission pays an annual premium to the Association for its workers compensation insurance. The Commission also joined together with other local governments in Virginia to form the Virginia Municipal Liability pool, a public entity risk pool currently operating as a common property and general liability program for participating local governments. The Commission pays annual premiums to the pool for its automobile, liability, property, boiler and machinery, and fidelity crime coverage.

In the event of a loss deficit and depletion of all available excess insurance, these pools may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Commission continues to carry commercial insurance for employee health and accident insurance. Settled claims resulting from this risk have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13—CAPITAL ASSETS:

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

	July 1, 2019	Increases	Decreases	June 30, 2020
Capital assets not being depreciated:				
Land	$ 545,276	$ -	$ -	$ 545,276
Construction in Progress	-	17,600	-	17,600
Total capital assets not being depreciated	$ 545,276	$ 17,600	$ -	$ 562,876
Capital assets being depreciated:				
Building and improvements	$ 13,069,776	$ 173,143	$ -	$ 13,242,919
Equipment	444,190	106,615	(7,200)	543,605
Vehicles	125,478	-	-	125,478
Software	38,632	-	-	38,632
Total capital assets being depreciated	$ 13,678,076	$ 279,758	$ (7,200)	$ 13,950,634
Accumulated depreciation:				
Building and improvements	$ (3,764,134)	$ (285,390)	$ -	$ (4,049,524)
Equipment	(369,663)	(36,844)	7,200	(399,307)
Vehicles	(79,685)	(12,780)	-	(92,465)
Software	(38,632)	-	-	(38,632)
Total accumulated depreciation	$ (4,252,114)	$ (335,014)	$ 7,200	$ (4,579,928)
Capital assets being depreciated, net	$ 9,425,962	$ (55,256)	$ -	$ 9,370,706
Total Capital assets, net	$ 9,971,238	$ (37,656)	$ -	$ 9,933,582

Depreciation expense for the year ended June 30, 2020 was $335,014.

NOTE 14—LONG-TERM OBLIGATIONS:

Changes in Long-Term Obligations:

	July 1, 2019	Increase/ Issuances	Decrease/ Retirements	June 30, 2020
Notes from direct placements	$ 600,000	$ -	$ 600,000	$ -
Compensated Absences	182,197	12,187	-	194,384
Net Pension Liability	450,731	815,486	783,026	483,191
Net OPEB Liabilities	1,726,459	260,845	1,253,068	734,236
Total Long-Term Obligations	$ 2,959,387	$ 1,088,518	$ 2,636,094	$ 1,411,811

NOTE 15—DUE FROM FEDERAL GOVERNMENT:

Due from federal government consist of the following for June 30, 2020:

Federal Unaccompanied Alien Children Grant	$	325,053
Federal USDA funds		3,102
Total	$	328,155

NOTE 16—LITIGATION:

On October 4, 2018, a class action lawsuit was filed in the U.S. District Court for the Western District of Virginia, claiming various constitutional violations relating to Shenandoah Valley Juvenile Center Commission's treatment of unaccompanied alien children (UAC) in the Office of Refugee Resettlement Program. This lawsuit seeks changes to the Commission's policies, procedures, and mental health treatment relating to UACs. There is no request for monetary damages, but there is a request for payment of the plaintiff's attorney's fees. As of July 23, 2019, the case was dismissed. However, one part of the lawsuit is eligible for appeal. The Commission denies all wrongdoing and is vigorously defending this position. Based upon council and management's opinion, the outcome of this is not expected to have a material adverse effect on the Commission.

NOTE 17—UPCOMING PRONOUNCEMENTS:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 92, *Omnibus 2020,* addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

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

NOTE 18—SUBSEQUENT EVENTS:

As a result of the economic uncertainties that have arisen due to the COVID-19 pandemic, the Commission decided to return $299,910 after year-end to the participating localities in order to help with cash flow issues the various localities were facing. This money will not be required to be paid back to the Commission and the localities will continue to pay their participant assessments for fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION **Exhibit 4**

Schedule of Changes in Net Pension Liability and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	$ 230,124	$ 214,861	$ 207,140	$ 205,052	$ 208,323	$ 219,904
Interest	406,124	387,756	389,716	378,541	369,494	353,015
Changes of assumptions	175,318	-	(91,100)	-	-	-
Differences between expected and actual experience	(156,256)	66,323	(171,344)	(93,691)	(130,881)	-
Benefit payments	(422,530)	(390,556)	(334,270)	(326,236)	(309,173)	(365,823)
Net change in total pension liability	$ 232,780	$ 278,384	$ 142	$ 163,666	$ 137,763	$ 207,096
Total pension liability - beginning	6,013,033	5,734,649	5,734,507	5,570,841	5,433,078	5,225,982
Total pension liability - ending (a)	$ 6,245,813	$ 6,013,033	$ 5,734,649	$ 5,734,507	$ 5,570,841	$ 5,433,078
Plan fiduciary net position						
Contributions - employer	$ 111,675	$ 143,300	$ 134,276	$ 198,749	$ 185,473	$ 217,899
Contributions - employee	149,320	143,335	130,887	122,029	114,901	113,189
Net investment income	365,775	388,690	578,229	83,318	206,743	616,464
Benefit payments	(422,530)	(390,556)	(334,270)	(326,236)	(309,173)	(365,823)
Administator charges	(3,690)	(3,378)	(3,333)	(2,882)	(2,786)	(3,332)
Other	(230)	(345)	(516)	(35)	(45)	32
Net change in plan fiduciary net position	$ 200,320	$ 281,046	$ 505,273	$ 74,943	$ 195,113	$ 578,429
Plan fiduciary net position - beginning	5,562,302	5,281,256	4,775,983	4,701,040	4,505,927	3,927,498
Plan fiduciary net position - ending (b)	$ 5,762,622	$ 5,562,302	$ 5,281,256	$ 4,775,983	$ 4,701,040	$ 4,505,927
Commission's net pension liability - ending (a) - (b)	$ 483,191	$ 450,731	$ 453,393	$ 958,524	$ 869,801	$ 927,151
Plan fiduciary net position as a percentage of the total pension liability	92.26%	92.50%	92.09%	83.28%	84.39%	82.94%
Covered payroll	$ 3,282,892	$ 3,171,497	$ 2,859,594	$ 2,635,432	$ 2,387,370	$ 2,267,483
Commission's net pension liability as a percentage of covered payroll	14.72%	14.21%	15.86%	36.37%	36.43%	40.89%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Pension Plan
Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	$ 106,192	$ 106,192	$ -	$ 3,234,161	3.28%
2019	112,163	112,163	-	3,282,892	3.42%
2018	143,300	143,300	-	3,171,497	4.52%
2017	134,659	134,659	-	2,859,594	4.71%
2016	198,749	198,749	-	2,635,432	7.54%
2015	185,473	185,473	-	2,387,370	7.77%
2014	217,899	217,899	-	2,267,483	9.61%
2013	199,758	199,758	-	2,125,084	9.40%
2012	150,807	150,807	-	2,063,022	7.31%
2011	124,648	124,648	-	1,705,170	7.31%

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

Changes of assumptions – The actuarial assumptions used in the June 30, 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:

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 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	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount rate	Decrased rate from 7.00% to 6.75%

Schedule of the Commission's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2019	0.01692%	$ 275,333	$ 3,317,120	8.30%	52.00%
2018	0.01685%	256,000	3,203,933	7.99%	51.22%
2017	0.01566%	236,000	2,899,146	8.14%	48.86%

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

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION **Exhibit 8**

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	$ 16,849	$ 16,849	$ -	$ 3,240,268	0.52%
2019	17,279	17,279	-	3,317,120	0.52%
2018	16,660	16,660	-	3,203,933	0.52%
2017	15,024	15,024	-	2,899,146	0.52%
2016	12,678	12,678	-	2,641,352	0.48%
2015	11,533	11,533	-	2,402,738	0.48%
2014	10,884	10,884	-	2,267,483	0.48%
2013	10,343	10,343	-	2,154,788	0.48%
2012	5,863	5,863	-	2,094,002	0.28%
2011	4,823	4,823	-	1,722,606	0.28%

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
Year Ended June 30, 2020

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period of 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:

Non-Largest Ten 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 14.00% to 15.00%
Discount Rate	Decreased from 7.00% to 6.75%

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios -
Medical, Dental, Prescription Insurance
Years Ended June 30, 2018 through June 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	$ 79,899	$ (7,969)	$ 47,480
Interest	55,579	44,503	51,186
Changes in assumptions	(1,149,925)	248,945	(361,782)
Net change in total OPEB liability	$ (1,014,447)	$ 285,479	$ (263,116)
Total OPEB liability - beginning	1,432,459	1,146,980	1,410,096
Total OPEB liability - ending	$ 418,012	$ 1,432,459	$ 1,146,980
Covered payroll	$ N/A	$ N/A	$ N/A
Commission's total OPEB liability (asset) as a percentage of covered payroll	N/A	N/A	N/A

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. Additional years will be included as they become available.

Notes to Required Supplementary Information
Medical, Dental, Prescription Insurance
Year Ended June 30, 2020

Valuation Date: 6/30/2019
Measurement Date: 6/30/2019

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.13% as of June 30, 2019
Inflation	2.20% per year as of June 30, 2019
Healthcare Trend Rate	Developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Mode baseline assumptions. The SOA Model was released in October 2010 and updated in September 2019.
Salary Increase Rates	2.20% annually
Retirement Age	The average age at retirement is 50
Mortality Rates	Healthy Pre-Retirement: Pub-2010 General Employees Headcount- Weighted Mortality Projected with Fully Generaltional MP2019 Mortality Improvement Scale; Healthy Post-Employment: Pub-2010 General Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale; Disabled: Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generaltional MP2019 Mortality Improvement Scale

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION **Exhibit 12**

Schedule of Changes in the Commission's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

	2019	2018	2017
Total HIC OPEB Liability			
Service cost	$ 2,641	$ 2,000	$ 3,000
Interest	6,300	6,000	6,000
Differences between expected and actual experience	(5,494)	5,000	-
Changes in assumptions	1,955	-	(2,000)
Benefit payments	(7,074)	(8,000)	(6,000)
Other	534	-	-
Net change in total HIC OPEB liability	$ (1,138)	$ 5,000	$ 1,000
Total HIC OPEB Liability - beginning	93,000	88,000	87,000
Total HIC OPEB Liability - ending (a)	$ 91,862	$ 93,000	$ 88,000
Plan Fiduciary Net Position			
Contributions - employer	$ 4,595	$ 5,000	$ 5,000
Net investment income	3,770	4,000	6,000
Benefit payments	(7,074)	(8,000)	(6,000)
Administrator charges	(81)	-	-
Other	498	-	-
Net change in plan fiduciary net position	$ 1,708	$ 1,000	$ 5,000
Plan Fiduciary Net Position - beginning	60,000	59,000	54,000
Plan Fiduciary Net Position - ending (b)	$ 61,708	$ 60,000	$ 59,000
Commission's net HIC OPEB liability - ending (a) - (b)	$ 30,154	$ 33,000	$ 29,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	67.17%	64.52%	67.05%
Covered payroll	$ 3,282,892	$ 3,171,497	$ 2,859,594
Commission's net HIC OPEB liability as a percentage of covered payroll	0.92%	1.04%	1.01%

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

Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	$ 4,528	$ 4,528	$ -	$ 3,234,161	0.14%
2019	4,603	4,603	-	3,282,892	0.14%
2018	5,392	5,392	-	3,171,497	0.17%
2017	4,861	4,861	-	2,859,594	0.17%
2016	4,480	4,480	-	2,635,432	0.17%
2015	4,059	4,059	-	2,387,370	0.17%
2014	4,308	4,308	-	2,267,483	0.19%
2013	4,032	4,032	-	2,122,251	0.19%
2012	3,713	3,713	-	2,063,022	0.18%
2011	3,070	3,070	-	1,705,400	0.18%

Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
Year Ended June 30, 2020

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

Changes of assumptions – The actuarial assumptions used in the June 30, 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:

Non-Largest Ten 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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Commission's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP)
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2019	0.5300%	$ 10,737	$ 1,637,771	0.66%	49.19%
2018	0.6403%	5,000	1,456,863	0.34%	51.39%
2017	0.7150%	4,000	1,304,561	0.31%	38.40%

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

Schedule of Employer Contributions
Virginia Local Disability Program (VLDP)
For the Years Ended June 30, 2017 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	$ 12,961	$ 12,961	$ -	$ 1,800,192	0.72%
2019	11,813	11,813	-	1,637,771	0.72%
2018	9,328	9,328	-	1,456,863	0.64%
2017	7,878	7,878	-	1,304,561	0.60%

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

Notes to Required Supplementary Information
Virginia Local Disability Program (VLDP)
For the Year Ended June 30, 2020

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

Changes of assumptions – The actuarial assumptions used in the June 30, 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:

Non-Largest Ten Locality Employers - General and Non-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 and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual
Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Budget- Positive (Negative)
Operating Revenues:				
Participant assessments	$ 923,833	$ 923,833	$ 923,000	$ (833)
Non-participant assessments	45,500	45,500	54,075	8,575
State wards assessments	1,000	1,000	4,750	3,750
DJJ Reentry - Child Care	10,000	10,000	12,235	2,235
DJJ direct intake	30,000	30,000	96,118	66,118
Community placement initiative	700,800	700,800	826,085	125,285
Contractual assessments	18,600	18,600	18,600	-
Other revenues	10,000	10,000	6,326	(3,674)
Total operating revenues	$ 1,739,733	$ 1,739,733	$ 1,941,189	$ 201,456
Operating Expenses:				
Personnel services	$ 3,831,333	$ 3,831,333	$ 3,670,189	$ 161,144
Fringe benefits	1,243,843	1,243,843	1,038,088	205,755
Contractual services	296,000	296,000	278,512	17,488
Other charges	1,200,000	1,200,000	1,058,679	141,321
Depreciation expense	350,000	350,000	335,014	14,986
Total operating expenses	$ 6,921,176	$ 6,921,176	$ 6,380,482	$ 540,694
Net operating income (loss)	$ (5,181,443)	$ (5,181,443)	$ (4,439,293)	$ 742,150
Nonoperating Revenues (Expenses):				
State Block Grant	$ 1,084,878	$ 1,084,878	$ 1,107,732	$ 22,854
VML Risk Management Safety Grant	-	-	3,531	3,531
Federal USDA funds	95,000	95,000	67,155	(27,845)
Federal Unaccompanied Alien Children Grant	4,650,000	4,650,000	4,321,561	(328,439)
Interest income	3,000	3,000	7,288	4,288
Gain (loss) on disposal of assets	-	-	3,500	3,500
Insurance recoveries	-	-	48,795	48,795
Interest expense	(622,235)	(622,235)	(6,514)	615,721
Total nonoperating revenues (expenses)	$ 5,210,643	$ 5,210,643	$ 5,553,048	$ 342,405
Change in net position	$ 29,200	$ 29,200	$ 1,113,755	$ 1,084,555
Net position, beginning of year	-	-	9,880,096	9,880,096
Net position, end of year	$ 29,200	$ 29,200	$ 10,993,851	$ 10,964,651

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COMPLIANCE

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

TO THE COMMISSION MEMBERS
SHENANDOAH VALLEY JUVENILE CENTER COMMISSION
STAUNTON, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Shenandoah Valley Juvenile Center Commission as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Shenandoah Valley Juvenile Center Commission's basic financial statements and have issued our report thereon dated September 24, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
September 24, 2020

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

TO THE COMMISSION MEMBERS
SHENANDOAH VALLEY JUVENILE CENTER COMMISSION
STAUNTON, VIRGINIA

Report on Compliance for Each Major Federal Program

We have audited Shenandoah Valley Juvenile Center Commission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Shenandoah Valley Juvenile Center Commission's major federal programs for the year ended June 30, 2020. Shenandoah Valley Juvenile Center Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Shenandoah Valley Juvenile Center Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Shenandoah Valley Juvenile Center Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
September 24, 2020

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Direct Payments:			
Unaccompanied Alien Children Program	93.676	Not Applicable	$ 4,321,561
Total Department of Health and Human Services			$ 4,321,561
Department of Agriculture:			
Pass-Through Payments:			
Virginia Department of Juvenile Justice:			
Child and Adult Care Food Program	10.558	Not Available	$ 67,155
Total Department of Agriculture			$ 67,155
Total Expenditures of Federal Awards			$ 4,388,716

See accompanying notes to schedule of expenditures of federal awards.

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Shenandoah Valley Juvenile Center Commission under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Commission.

B. Summary of Significant Account Policies:

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The Shenandoah Valley Juvenile Center Commission has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. Matching Costs:

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule.

NOTE B-RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the agency. As a result, the amounts reported in federal financial reports may not agree with the amounts reported in the accompanying schedule.

NOTE C-SUBRECIPIENTS

No federal funding was passed through to subrecipients during the fiscal year ended June 30, 2020.

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
- Material weakness(es) identified?	___ yes _x_ no
- Significant deficiency(ies) identified?	___ yes _x_ none reported
Noncompliance material to financial statements noted?	___ yes _x_ no

Federal Awards

Internal control over major programs:	
- Material weakness(es) identified?	___ yes _x_ no
- Significant deficiency(ies) identified?	___ yes _x_ none reported
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	___ yes _x_ no

Identification of major programs:

CFDA Numbers	*Name of Federal Program or Cluster*
93.676	Unaccompanied Alien Children Program

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	_x_ yes ___ no

Section II-Financial Statement Findings

There are no financial statement findings to report.

Section III-Federal Award Findings and Questioned Costs

There are no federal award findings to report.

Section IV-Summary Schedule of Prior Year Findings

There are no prior year findings to report.