

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
Crater Criminal Justice Training Academy
Disputanta, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Crater Criminal Justice Training Academy (the "Academy") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Crater Criminal Justice Training Academy, as of June 30, 2022, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Notes 5 and 6 to the financial statements in 2022, the Authority adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Report on the Audit of the Financial Statements (Continued)

Required Supplementary Information

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

Report on Summarized Partial Comparative Information

We have previously audited the Academy's 2021 financial statements, on which, in our report dated November 24, 2021, we expressed an unmodified opinion. The 2021 financial information is provided for comparative purposes only.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying statement of revenues and expenses – budget and actual is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 1, 2022

**CRATER CRIMINAL JUSTICE TRAINING ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2022

The following discussion of the Crater Criminal Justice Training Academy's (the "Academy") financial performance provides an overview of the Academy's financial activities for the fiscal year ended June 30, 2022 and is required supplementary information. Please read it in conjunction with the Academy's financial statements, which follow this section.

Financial Highlights

Selected financial information for 2022 and 2021 is as follows:

	2022	2021*
Total capital assets	\$ 1,344,140	\$ 1,383,334
Total assets	1,989,330	1,871,504
Total deferred outflows	39,286	36,894
Total long-term liabilities	284,549	417,270
Total liabilities	740,746	677,051
Total deferred inflows	31,305	10,625
Total operating revenues	1,161,021	1,159,087
Total non-operating revenues	14,126	7,020
Total operating expenses (to include depreciation and amortization)	1,127,351	1,046,156
Change in net position	35,843	105,935
Ending net position	1,256,565	1,220,722

* - Amounts have been restated to include items related to the implementation of GASB Statement 87, Leases.

- Capital assets decreased by \$39,194 from fiscal year 2021 to 2022. This decrease is due to current year depreciation on assets of \$54,039, net of \$14,845 in purchases of capital assets (improvements to multi-purpose building) during Fiscal Year 2021-2022. The Academy did not dispose of any assets in FY2022.
- Total assets increased by \$117,826. This increase is due in most part to an increase in cash of \$158,586 for 2022. The net pension asset increased by \$5,184, while accounts receivable increased by \$1,662 and prepaid expenses decreased by \$394.
- Operating revenues increased when compared with the prior year, due to increases in contributions from member agencies and tuition income, partially offset by a decrease in grant revenue from the Department of Criminal Justice Services. The per capita based member rate increased 3% for the fiscal year, from \$510.86 to \$526.19.

- Operating expenses other than depreciation increased \$78,080 during the fiscal year. This change was primarily due to additional costs for professional services and training expenses, as well as the write off of uncollectible accounts receivable.

Overview of the Financial Statements

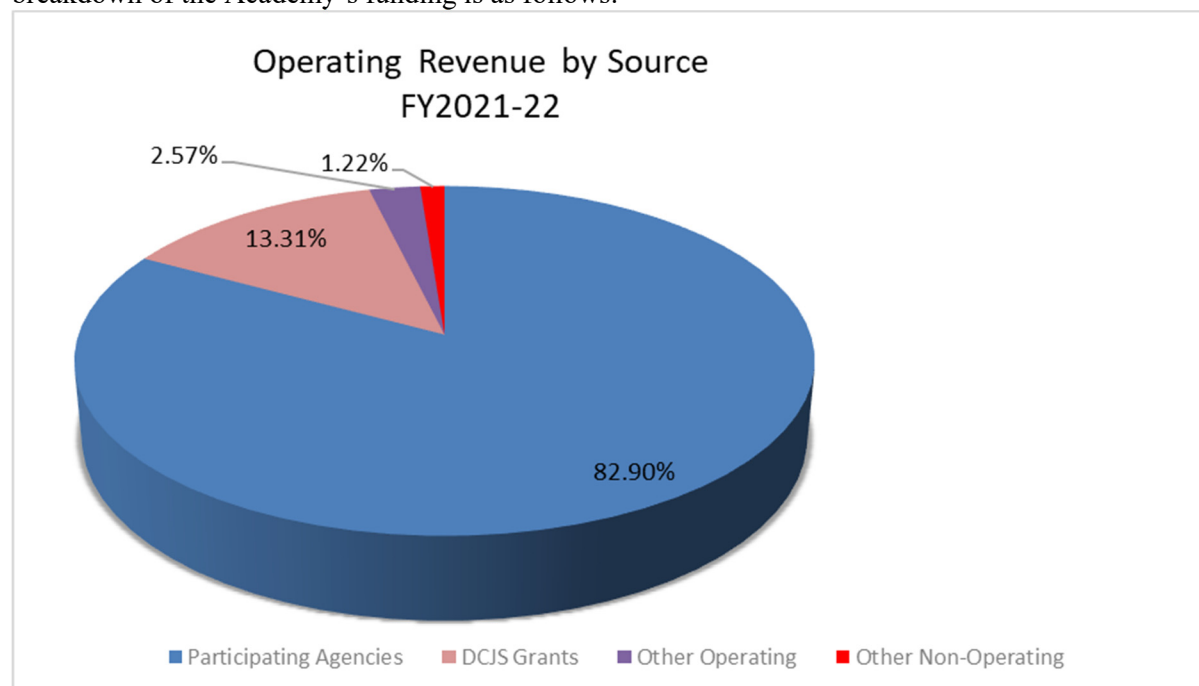
The Academy's financial report consists of two sections: the financial section and the compliance section. The financial section contains the Independent Auditors' Report on the Financial Statements, Management's Discussion and Analysis (this section), the basic financial statements (discussed below), and the Required Supplementary Information. The compliance section contains the Auditors' report on Internal Control Over Financial Reporting.

The basic financial statements are comprised of two components: (1) financial statements and (2) notes to the financial statements. A schedule of revenues and expenses – budget to actual is included as supplementary information.

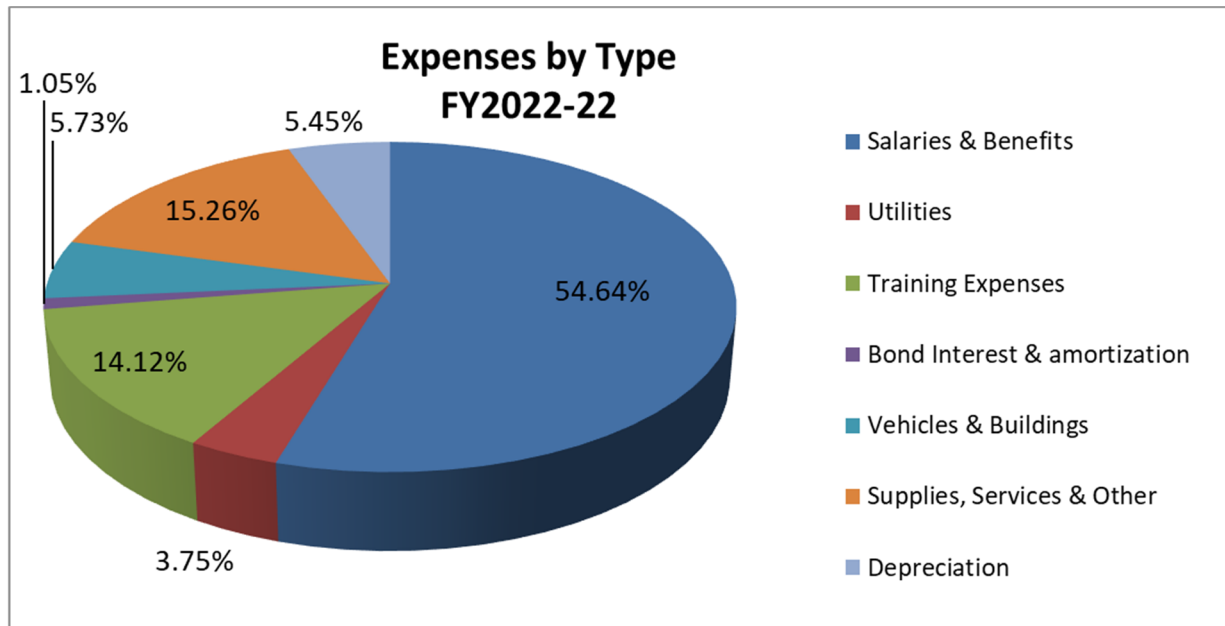
The financial statements of the Academy offer short and long-term financial information about its activities. The statements of net position provide information about the nature and amounts of the Academy's cash, receivables (assets), and its obligations to creditors (liabilities). All of the Academy's current fiscal year revenues and expenses are accounted for in the statements of revenues, expenses and changes in net position. The statements measure whether the Academy successfully recovered all of its cost through user charges from its customers. The statements of cash flows provide information on the Academy's cash receipts, cash payments, and net changes in cash resulting from operating, investing, capital, and non-capital financial activities. It also provides insight on the source of cash, the use of cash and cash changes during the reporting period.

Financial Analysis

The Academy receives funding from thirty-three-member law-enforcement agencies and six contract law-enforcement agencies who receive training from the Academy. These agencies contribute a specific tuition amount based on a per person subject to training calculation, which for FY2021-2022 increased from \$510.86 to \$526.19. The Academy also receives state funding through the Department of Criminal Justice Services. A third source of revenue is private tuition received from students attending the Academy. A breakdown of the Academy's funding is as follows:



Approximately 55% of the Academy's expenses during fiscal year 2021-2022 were attributable to salaries and benefits for the Academy's seven full-time staff and part-time instructors. Training expenses were responsible for 14% of the Academy's expenses during the year, and depreciation, amortization and debt service costs represented 6.5% of the total Academy expenses. A chart illustrating the Academy's expenses is as follows:



Budgetary Highlights

Within the context of a fiscally conservative budget, the Academy must continue to provide basic and in-service training programs to member law enforcement agencies. The Academy's Executive Director prepares the annual operating budget that is presented to the Academy's Finance Committee, and ultimately to the Board of Directors for approval. Only the Academy's Board may revise the total budget amount. All expenditures are authorized through the Academy's procurement process with attention paid to budgeted amounts. The Academy Board's Executive Committee can authorize expenditures and budget amendments up to and including \$15,000. Expenditures and budgetary amendments exceeding this amount must be approved by the Academy's Board of Directors.

Economic Factors and Next Year's Budget

- Economic conditions in the region in FY2022-2023 are expected to be challenging compared to FY2021-2022 due to inflationary pressure and supply shortages, but most major sources of revenue to the Academy are projected to increase or remain stable in the coming fiscal year. Anticipated state funding will increase over time due to the addition of member agencies. The per capita membership amount increased by 5.0% to \$552.50 for FY2022-2023.
- The Academy's adopted 2022-2023 budget increased approximately 4.6% when compared with the FY2021-2022 adopted budget. This increase is primarily due to the increased member revenue and a continued focus on capital needs and training in FY2022-2023.

Contacting the Academy Management

The financial report is designed to provide our customers and creditors with a general overview of the Academy's financial position and to demonstrate the Academy's accountability for revenues received. Questions concerning information provided in this report or requests for additional financial information should be directed to the Academy's Executive Director at (804) 722-9742, extension 132 or Crater Criminal Justice Training Academy, 6130 County Drive, Disputanta, VA 23842.

CRATER CRIMINAL JUSTICE TRAINING ACADEMY
STATEMENTS OF NET POSITION
Years Ended June 30, 2022 and 2021

 (For Comparative
Purposes Only)

ASSETS	2022	2021*
Unrestricted current assets:		
Cash	\$ 563,916	\$ 405,330
Accounts receivable	18,906	17,244
Prepaid expenses	3,186	3,580
Total unrestricted current assets	586,008	426,154
Noncurrent assets:		
Capital Assets, net	1,344,140	1,383,334
Intangible Leased Asset, net	26,057	34,075
Net pension asset	33,125	27,941
Total noncurrent assets	1,403,322	1,445,350
Total assets	\$ 1,989,330	\$ 1,871,504
Deferred Outflows of Resources:		
Deferred outflow of resources - pension plan	\$ 24,871	\$ 20,001
Deferred outflow of resources - OPEB	14,415	16,893
Total deferred outflow of resources	39,286	36,894
Total assets and deferred outflow of resources	\$ 2,028,616	\$ 1,908,398
LIABILITIES AND NET POSITION		
Current liabilities:		
Unearned revenue	\$ 233,413	\$ 64,879
Accounts payable	44,198	13,103
Compensated absences & payroll liabilities	46,402	52,590
Interest payable	4,292	5,641
Lease liability, current	7,892	7,568
Bonds payable, current portion	120,000	116,000
Total current liabilities	456,197	259,781
Noncurrent liabilities:		
Lease liability, less current portion	19,017	26,909
Bonds payable, less current portion	249,000	369,000
Net OPEB liability	16,532	21,361
Total noncurrent liabilities	284,549	417,270
Total liabilities	740,746	677,051
Deferred Inflows of Resources:		
Deferred inflow of resources - pension plan	22,597	7,053
Deferred inflow of resources - OPEB	8,708	3,572
Total deferred inflow of resources	31,305	10,625
Net position:		
Net investment in capital assets	974,288	897,932
Restricted for net pension asset	33,125	27,941
Unrestricted	249,152	294,849
Total net position	1,256,565	1,220,722
Total liabilities, deferred inflows of resources and net position	\$ 2,028,616	\$ 1,908,398

See Notes to Financial Statements.

* - Amounts have been restated to include items related to the implementation of GASB Statement 87, Leases.

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30, 2022 and 2021

(For Comparative
Purposes Only)

	2022	2021*
Operating revenues:		
Local jurisdictions	\$ 958,053	\$ 924,944
Department of Criminal Justice Services	153,779	194,873
Tuition	19,438	23,675
Other	29,751	15,595
Total operating revenues	1,161,021	1,159,087
Personnel Expenses:		
Salaries	512,202	499,299
Retirement and other benefits	110,327	116,342
Total Personnel Expenses	622,529	615,641
Operating expenses other than depreciation:		
Bad debts	12,707	-
Insurance	14,448	13,830
Professional services	83,335	44,125
Travel & Continuing Ed	9,976	4,882
Office Supplies & Postage	47,078	72,215
Miscellaneous	6,335	7,471
Training Expenses	160,834	132,787
Repairs, custodial, & maintenance	57,665	51,357
Utilities	42,745	41,730
Vehicle maintenance and repairs	7,642	6,995
Total operating expenses other than depreciation	442,765	375,392
Operating income before depreciation	95,727	168,054
Depreciation and amortization	(62,057)	(55,123)
Operating income	33,670	112,931
Nonoperating revenues (expenses):		
Other	13,473	6,352
Interest income	653	668
Interest expense	(11,953)	(14,016)
Total net nonoperating revenues (expenses)	2,173	(6,996)
Change in net position	35,843	105,935
Net position, beginning, as restated	1,220,722	1,114,787
Net position, ending	\$ 1,256,565	\$ 1,220,722

See Notes to Financial Statements.

* - Amounts have been restated to include items related to the implementation of GASB Statement 87, Leases.

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

(For Comparative
Purposes Only)
2021*

	2022	
Cash flows from operating activities		
Cash receipts from local contributions	\$ 1,124,925	\$ 914,006
Cash receipts from Department of Criminal Justice Services	153,779	194,873
Cash receipts from tuition	19,438	23,675
Cash receipts from other operating income	29,751	15,595
Cash payments to employees for service	(620,442)	(611,709)
Cash payments for operating expenses	(411,276)	(360,615)
Net cash provided by operating activities	296,175	175,825
Cash flows from non-capital financing activities		
Proceeds from other non-operating activities	13,473	6,352
Net cash provided by non-capital financing activities	13,473	6,352
Cash flows from capital and related financing activities		
Purchases of capital assets	(14,845)	(9,200)
Payment of lease liabilities	(7,568)	(5,611)
Payment of long-term debt	(116,000)	(113,000)
Interest paid	(13,302)	(16,420)
Net cash used in capital and related financing activities	(151,715)	(144,231)
Cash flows from investing activities		
Interest received	653	668
Net cash provided by investing activities	653	668
Net changes in cash	158,586	38,614
Cash, beginning	405,330	366,716
Cash, ending	\$ 563,916	\$ 405,330
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 33,670	\$ 119,585
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	62,057	55,123
Decrease (increase) in deferred outflows due to pension plan	(4,870)	2,822
Increase (decrease) in deferred outflows due to OPEB	2,478	4,478
Increase (decrease) in deferred inflows due to pension plan	15,544	7,053
Increase (decrease) in deferred inflows due to OPEB	5,136	1,572
Changes in assets and liabilities:		
Accounts receivable	(1,662)	(6,340)
Prepaid expenses	394	1,952
Unearned revenue	168,534	(4,598)
Net pension asset	(5,184)	(10,597)
Accounts payable	31,095	6,171
Net OPEB liability	(4,829)	(3,639)
Compensated absences & payroll liabilities	(6,188)	2,243
Net cash provided by operating activities	\$ 296,175	\$ 175,825

See Notes to Financial Statements.

* - Amounts have been restated to include items related to the implementation of GASB Statement 87, Leases.

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: The Crater Criminal Justice Training Academy (the “Academy”) is a regional education and training institution organized under the Joint Exercise of Powers Act of the Code of Virginia for law enforcement and criminal justice personnel. The Academy is located in Prince George County, Virginia and serves participating local area government jurisdictions.

A summary of the Academy’s significant accounting policies follows:

Basis of accounting: The Academy utilizes the economic resources management focus and the accrual basis of accounting in preparing its financial statements where revenues are recognized when earned and expenses when incurred. The Academy utilizes an enterprise fund that is used to account for its operations that are solely financed and operated in a manner similar to private business or where the Academy has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The accounting policies of the Academy conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Academy has applied all applicable GASB pronouncements. The Academy has also applied Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Academy’s enterprise fund are charges to localities for services. Operating expenses for the Academy’s enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and cash equivalents: For purposes of the statements of cash flows, the Academy considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts receivable: The Academy evaluates its accounts receivable individually. A charge to income to absorb possible credit losses is provided when, in the opinion of management, it is appropriate.

The Academy maintains an allowance for uncollectible accounts. The allowance is based upon management’s assessment of historical and expected net collections. Accounts written off as uncollectible are deducted from the allowance and recoveries are added. At June 30, 2022 and 2021, all accounts have been deemed collectible by management.

Capital assets: Property and equipment in excess of \$5,000 are stated at cost and depreciated using the straight-line method based on the estimated useful lives of 3 to 39 years as listed or as follows:

Office equipment and computers	5 - 7 years
Vehicles and maintenance equipment	5 years
Buildings	15 - 39 years
Training equipment	3 - 7 years

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies (Continued)

When assets are disposed, the related costs and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognized in the current year's operations.

Maintenance and ordinary repairs are charged to expense as incurred. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized.

Lease assets are amortized over the shorter of the lease term or useful life of the underlying asset. In leases where a purchase option is reasonably certain of being exercised the asset is amortized over the useful life, unless the underlying asset is nondepreciable, in which the leased asset is not amortized

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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy has multiple items that qualify for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset and the net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB measurement date. For more detailed information, reference the pension and OPEB 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Under the accrual basis of accounting, certain items related to the measurement of the net pension asset and the net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the OPEB note.

Unearned revenue: Unearned revenue represents fees collected by the Academy in the current year-end for training that will be performed in the subsequent fiscal year. Revenue will be recognized in the next fiscal year as services are provided.

Pensions: For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Academy's Retirement Plan and the additions to/deductions from the Academy'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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Other Postemployment Benefits (OPEB)

Group Life Insurance

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

Revenue: The Academy receives revenue primarily from the participating local jurisdictions and the Virginia Department of Criminal Justice Services. Revenue from jurisdictions which do not participate is received in the form of tuition.

Net position: Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets, net of related debt excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position is also restricted in relation to the net pension asset.

The Academy first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Credit risk: Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of cash and trade accounts receivable. The Academy places its cash with high credit quality financial institutions whose credit ratings are monitored by management to minimize credit risk. The concentration of credit risk for accounts receivable is limited due to the majority of customers being local government entities.

Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash

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.

Note 3. Capital Assets

Capital assets owned by the Academy at June 30, 2022 consist of the following:

	Balance 1-Jul-21*	Increases	Decreases	Balance 30-Jun-22
Capital assets not being depreciated:				
Land	\$ 297,399	\$ -	\$ -	\$ 297,399
Total capital assets not being depreciated	297,399	-	-	297,399
Other capital assets being depreciated:				
Building	1,858,350	-	-	1,858,350
Equipment	142,694	14,845	-	157,539
Vehicles	1,599	-	-	1,599
Total other capital assets being depreciated	2,002,643	14,845	-	2,017,488
Less, accumulated depreciation for:				
Building	786,477	50,730	-	837,207
Equipment	128,632	3,309	-	131,941
Vehicles	1,599	-	-	1,599
Total accumulated depreciation	916,708	54,039	-	970,747
Capital assets being depreciated, net	1,085,935	(39,194)	-	1,046,741
	\$ 1,383,334	\$(39,194)	\$ -	\$ 1,344,140
Lease assets:				
Equipment	\$ 40,088	\$ -	\$ -	\$ 40,088
Less accumulated amortization	6,013	8,018	-	14,031
Total lease assets being amortized, net	\$ 34,075	\$ (8,018)	\$ -	\$ 26,057

* - Amounts have been restated to include items related to the implementation of GASB Statement 87, Leases.

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets (Continued)

Intangible Right-to-Use Lease Asset

In 2022, the Academy implemented the guidance in GASBS No. 87, Leases, and recognized the value of a copier leased under a long-term contract.

Capital assets owned by the Academy at June 30, 2021 consist of the following:

	Balance 1-Jul-20*	Increases	Decreases	Balance 30-Jun-21
Capital assets not being depreciated:				
Construction in process	-	-	-	-
Land	\$ 297,399	\$ -	\$ -	\$ 297,399
Total capital assets not being depreciated	297,399	-	-	297,399
Other capital assets being depreciated:				
Building	1,849,150	9,200	-	1,858,350
Equipment	142,694	-	-	142,694
Vehicles	1,599	-	-	1,599
Total other capital assets being depreciated	1,993,443	9,200	-	2,002,643
Less, accumulated depreciation for:				
Building	734,663	51,814	-	786,477
Equipment	125,323	3,309	-	128,632
Vehicles	1,599	-	-	1,599
Total accumulated depreciation	861,585	55,123	-	916,708
Capital assets being depreciated net	1,131,858	(45,923)	-	1,085,935
	\$ 1,429,257	\$ (45,923)	\$ -	\$ 1,383,334
Lease assets:				
Equipment	\$ -	\$ 40,088	\$ -	\$ 40,088
Less accumulated amortization	-	6,013	-	6,013
Total lease assets being amortized, net	\$ -	\$ 34,075	\$ -	\$ 34,075

* - Amounts have been restated to include items related to the implementation of GASB Statement 87, Leases.

Note 4. Compensated Absences

The Academy's employees are granted annual leave in varying amounts as services are provided. Employees may accumulate, subject to certain vesting limitations, unused vacation pay. Sick time is also allowed to accumulate; however, it does not vest. Compensated absences balances amounted to \$18,790 and \$21,806 for June 30, 2022 and 2021, respectively. All compensated absences are considered current.

NOTES TO FINANCIAL STATEMENTS

Note 5. Long Term Liabilities

Bonds Payable:

Description	Original Amount	2022	2021
Series 2015 Revenue Refunding Bonds: \$1,125,000 due in annual installments ranging from \$103,000 to \$126,000, through 2024, bearing interest at a rate of 2.81% . The revenues for debt service payments of the Academy are pledged to pay the principal and interest of the bonds. The proceeds refunded the remainder of the Academy's 2004C series bonds.	\$ 1,125,000	\$ 369,000	\$ 485,000
Bonds payable, current		\$ 120,000	\$ 116,000
Bonds payable, noncurrent		249,000	369,000
		<u>\$ 369,000</u>	<u>\$ 485,000</u>

Activity in the bonds payable for fiscal year 2022 was as follows:

Description	Balance at 30-Jun-21	Issued	Retired	Balance at 30-Jun-22	Amount Due Within One Year
Total bonds outstanding	<u>\$ 485,000</u>	<u>\$ -</u>	<u>\$ (116,000)</u>	<u>\$ 369,000</u>	<u>\$ 120,000</u>

Activity in the bonds payable and related accounts for fiscal year 2021 was as follows:

Description	Balance at 30-Jun-20	Issued	Retired	Balance at 30-Jun-21	Amount Due Within One Year
Total bonds outstanding	<u>\$ 598,000</u>	<u>\$ -</u>	<u>\$ (113,000)</u>	<u>\$ 485,000</u>	<u>\$ 116,000</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Long Term Liabilities (Continued)

Bonds Payable (Continued):

Future principal and interest obligations related to bond indebtedness are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	120,000	8,683	128,683
2024	123,000	5,269	128,269
2025	126,000	1,770	127,770
	<u>\$ 369,000</u>	<u>\$ 15,722</u>	<u>\$ 384,722</u>

Intangible Right-to-Use Lease Liabilities

In 2022, the Academy implemented the guidance of GASBS No. 87, Leases, for accounting and reporting leases that had previously been reported as operating and capital leases.

Copier Leases

The Academy leases a copier/printer from Great American Financial Services for a term of 60 months. The lease requires a minimum monthly lease payment of \$739, plus additional charges for excess usage and excluding applicable taxes. For purposes of discounting future payments on the lease, the Academy used the interest rate (4.2%) on its recent bank financing agreement to determine an appropriate discount rate. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 3. The prior period adjustment is described in Note 6.

The annual minimum lease payments under the existing lease are as follows:

<u>Lease Obligations</u>			
	<u>Principal</u>		<u>Interest</u>
2023	\$ 7,892	\$	979
2024	8,230		641
2025	8,583		289
2026	2,204		15

NOTES TO FINANCIAL STATEMENTS

Note 6. Restatement of Beginning Net Position

For the year ended June 30, 2022, the Academy adopted GASB Statement No. 87, Leases, which requires reporting an intangible right-to-use asset and a lease liability for leases the Academy had previously reported as operating and capital leases.

The following is a summary of the restatement to beginning net position:

Net position, June 30, 2021, as previously reported	\$ 1,221,124
Effect of adopting GASB 87	<u>(402)</u>
Net position, June 30, 2021, as restated	\$ 1,220,722

Note 7. Retirement Plans

Defined Benefit Pension Plan:

Plan Description

The Academy joined the Virginia Retirement System in January, 2017. All full-time, salaried permanent employees of the Academy are automatically covered by 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.

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2</p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none"> In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees* School division employees Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Same as Plan 1.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component: VRS:</u> The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility: Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) Exceptions to COLA Effective Dates: Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work- related disability benefits.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Employees Covered by Benefit Terms

The Academy joined VRS on January 1, 2017. As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	0
Inactive members:	
Vested inactive members	0
Non-vested inactive members	1
Inactive members active elsewhere in VRS	0
Total inactive members	1
Active members	6
Total covered employees	7

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 Academy's contractually required contribution rate for the year ended June 30, 2022 was 3.84% of covered employee compensation, not including the employee contribution. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Academy were \$7,808 and \$11,251 for the years ended June 30, 2022 and June 30, 2021, 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 the Academy, the net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Actuarial Assumptions

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

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

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service-related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Actuarial Assumptions (Continued):

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally;
110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of
the MP-2020 rates

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates
for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of
rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates
for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally;
110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of
the MP-2020 rates

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Actuarial Assumptions (Continued):

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

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

<i>Inflation</i>	<i>2.50%</i>
<i>Salary increases, including inflation</i>	<i>3.50% – 4.75%</i>
<i>Investment rate of return</i>	<i>6.75%, net of pension plan investment expenses, including inflation</i>

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service-related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

All Others (Non-10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service-related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decrease rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit 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 %	5.00 %	1.70 %
Fixed Income	15.00 %	0.57 %	0.09 %
Credit Strategies	14.00 %	4.49 %	0.63 %
Real Assets	14.00 %	4.76 %	0.67 %
Private Equity	14.00 %	9.94 %	1.39 %
MAPS - Multi -Asset Public Strategies	6.00 %	3.29 %	0.20 %
PIP- Private Investment Partnership	3.00 %	6.84 %	0.21 %
Total	100.00 %		4.89 %
	Inflation		2.50 %
	Expected arithmetic nominal return *		7.39 %

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021, on, participating employers are assumed to 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.

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	\$ 68,568	\$ 96,509	\$ (27,941)
Changes for the year:			
Service Cost	31,041	-	31,041
Interest	4,611	-	4,611
Differences between expected and actual experiences	12,747	-	12,747
Assumption Changes	(1,882)	-	(1,882)
Contributions - employer	-	8,976	(8,976)
Contributions - employee	-	13,123	(13,123)
Net investment income	-	29,650	(29,650)
Benefit payments, including refunds	(526)	(526)	-
Administrative expenses	-	(51)	51
Other changes	-	3	(3)
Net changes	45,991	51,175	(5,184)
Balances at June 30, 2021	\$ 114,559	\$ 147,684	\$ (33,125)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability (asset)	\$ (11,513)	\$ (33,125)	\$ (50,091)

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

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

For the year ended June 30, 2022, the political subdivision recognized pension expense of \$13,298. At June 30, 2022, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,796	\$ 5,552
Change in assumptions	1,267	1,620
Net difference between projected and actual earnings on pension plan investments	-	15,425
Employer contributions subsequent to the measurement date	<u>7,808</u>	<u>-</u>
Total	<u><u>\$ 24,871</u></u>	<u><u>\$ 22,597</u></u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

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

The \$7,808 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2023	\$ (2,095)
2024	(2,148)
2025	(2,095)
2026	(2,495)
2027	1,530
Thereafter	1,769

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Defined Contribution Plan

The Academy maintains a 403(b) Custodial Account Plan, administered by American Funds. Under this defined contribution plan, the Academy contributes 8% of the gross wages of one full-time employee who is not participating in the Virginia Retirement Plan. Prior to joining VRS in January, 2017, the Academy contributed 8% of the gross wages for all full-time employees. The Academy's contributions for 2022 and 2021 were \$5,340 and \$5,095, respectively. For 2022 and 2021, employees may contribute up to \$20,500 (\$27,000 if age 50 or over), and \$19,500 (\$26,000 if age 50 or over) annually, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (GLI) Program (OPEB PLAN)

Plan Description

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

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

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NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Plan Description (Continued):

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none">• <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit.• <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option

NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Plan Description (Continued):

Reduction in Benefit Amounts

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

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$1,602 and \$1,582 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the Academy reported a liability of \$16,532 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021, and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered 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, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.00142% as compared to 0.00128% at June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

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

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$4,392. 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, 2022, 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	\$ 1,886	\$ 126
Net difference between projected and actual earnings on GLI OPEB program investments	-	3,946
Change in assumptions	911	2,262
Changes in proportion	10,016	2,374
Employer contributions subsequent to the measurement date	1,602	-
Total	<u>\$ 14,415</u>	<u>\$ 8,708</u>

\$1,602 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

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

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2023	\$ 2,900
2024	2,344
2025	248
2026	(1,372)
2027	(15)
Thereafter	-

Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 Percent, net of investment expenses, including inflation

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NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued): *Actuarial Assumptions (Continued):*

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally;
females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates
for females.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set
forward 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of
rates for males and females.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of
the MP-2020 rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Actuarial Assumptions (Continued):

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Actuarial Assumptions (Continued):

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

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Actuarial Assumptions (Continued):

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally. 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Actuarial Assumptions (Continued):

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally;
95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally. 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP- 2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Net GLI OPEB Liability

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

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,577,346
Plan Fiduciary Net Position	<u>2,413,074</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

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.

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NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

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

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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 employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, 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, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):
Net GLI OPEB Liability (Continued):

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer’s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 24,154	\$16,532	\$ 10,377

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/ publications/2021-annual-report.pdf](http://varetire.org/pdf/publications/2021-annual-report.pdf), or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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NOTES TO FINANCIAL STATEMENTS

Note 9. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement will be effective for the year ending June 30, 2023.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement’s introduction of the new term is founded on a commitment to promoting inclusiveness. This Statement will be effective for the year ending June 30, 2023.
- GASB Statement No. 99, *Omnibus 2022*, enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

NOTES TO FINANCIAL STATEMENTS

Note 9. New Accounting Standards (Continued):

- GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will be effective for the year ending June 30, 2024.
- GASB Statement No. 101, *Compensated Absences*, better meets the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will be effective for the year ending June 30, 2025.

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Crater Criminal Justice Training Academy

Required Supplementary Information

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
June 30, 2022**

	Primary Government Plan Year			
	2021	2020	2019	2018
Total Pension Liability				
Service cost	\$ 31,041	\$ 20,754	\$ 26,646	\$ 18,609
Interest on total pension liability	4,611	3,708	1,303	-
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	12,747	(8,554)	8,439	-
Changes in assumptions	(1,882)	-	2,215	-
Benefit payments	(526)	(4,552)	-	-
	<u>45,991</u>	<u>11,356</u>	<u>38,603</u>	<u>18,609</u>
Net change in total pension liability	45,991	11,356	38,603	18,609
Total pension liability - beginning	<u>68,568</u>	<u>57,212</u>	<u>18,609</u>	<u>-</u>
Total pension liability - ending	<u>114,559</u>	<u>68,568</u>	<u>57,212</u>	<u>18,609</u>
Plan Fiduciary Net Position				
Contributions - employer	8,976	13,621	15,401	18,268
Contributions - employee	13,123	11,445	12,605	13,136
Net investment income	29,650	1,472	4,193	1,505
Benefit payments	(526)	(4,552)	-	-
Administrator charges	(51)	(31)	(7)	13
Other	3	(2)	(3)	(3)
	<u>51,175</u>	<u>21,953</u>	<u>32,189</u>	<u>32,919</u>
Net change in plan fiduciary net position	51,175	21,953	32,189	32,919
Plan fiduciary net position - beginning	<u>96,509</u>	<u>74,556</u>	<u>42,367</u>	<u>9,448</u>
Plan fiduciary net position - ending	<u>147,684</u>	<u>96,509</u>	<u>74,556</u>	<u>42,367</u>
Net pension liability (asset) - ending	<u>\$ (33,125)</u>	<u>\$ (27,941)</u>	<u>\$ (17,344)</u>	<u>\$ (23,758)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>129%</u>	<u>141%</u>	<u>130%</u>	<u>228%</u>
Covered payroll	<u>\$ 293,007</u>	<u>\$ 263,515</u>	<u>\$ 294,884</u>	<u>\$ 273,924</u>
Net pension liability (asset) as a percentage of covered payroll	<u>-11%</u>	<u>-11%</u>	<u>-6%</u>	<u>-9%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2022**

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2022	\$ 7,808	\$ 7,808	\$ -	\$ 296,728	2.63%
2021	11,251	11,251	-	293,007	3.84%
2020	15,785	15,785	-	263,515	5.99%
2019	17,664	17,664	-	294,884	5.99%
2018	16,402	16,402	-	273,924	5.99%
2017	5,431	5,431	-	121,374	4.47%

Schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, only five years of data is available. Additional years will be included as they become available.

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2022**

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Group Life Insurance - General Employees					
2022	0.00142%	\$ 16,532	\$ 296,728	5.57%	67.45%
2021	0.00128%	21,361	293,007	7.29%	52.64%
2020	0.00128%	25,000	263,515	9.49%	52.00%
2019	0.00151%	22,000	294,884	7.46%	51.22%
2018	0.00144%	7,000	273,924	2.56%	48.60%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only four years of data is available. However, additional years will be included as they become available.

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

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS**

June 30, 2022

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Group Life Insurance - General Employees					
2022	\$ 1,602	\$ 1,602	\$ -	\$ 296,728	0.54%
2021	1,582	1,582	-	293,007	0.54%
2020	1,370	1,370	-	263,515	0.52%
2019	1,533	1,533	-	294,884	0.52%
2018	1,424	1,424	-	273,924	0.52%
2017	458	458	-	121,374	0.38%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only five years of data is available. However, additional years will be included as they become available.

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

CRATER CRIMINAL JUSTICE TRAINING ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Note 1. Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

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

Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and f through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

CRATER CRIMINAL JUSTICE TRAINING ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Note 2. *Changes of Assumptions (Continued)*

Non-Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Largest 10 Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP- 2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

CRATER CRIMINAL JUSTICE TRAINING ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Note 2. *Changes of Assumptions (Continued)*

Non-Largest 10 Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP- 2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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Crater Criminal Justice Training Academy

Supplementary Information

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

Year Ended June 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local jurisdictions	\$ 959,808	\$ 958,053	\$ (1,755)
Department of Criminal Justice Services	200,000	153,779	(46,221)
Tuition	17,500	19,438	1,938
Other	23,000	29,751	6,751
Total revenues	1,200,308	1,161,021	(39,287)
Personnel Expenses:			
Salaries	524,396	512,202	12,194
Retirement and other benefits	139,596	110,327	29,269
Total Personnel Expenses	663,992	622,529	41,463
Operating expenses other than depreciation:			
Bad debts	-	12,707	(12,707)
Insurance	14,600	14,448	152
Professional services	53,583	83,335	(29,752)
Travel & Continuing Ed	16,000	9,976	6,024
Office Supplies & Postage	44,500	47,078	(2,578)
Miscellaneous	10,300	6,335	3,965
Training Expenses	130,150	160,834	(30,684)
Repairs, custodial, & maintenance	31,200	57,665	(26,465)
Utilities	44,700	42,745	1,955
Vehicle maintenance and repairs	8,000	7,642	358
Depreciation	127,999	62,057	65,942
Total expenses	1,145,024	1,127,351	17,673
Excess of operating revenues over expenses	55,284	33,670	(21,614)
Nonoperating revenues (expenses):	(55,284)	2,173	57,457
Excess of revenues over expenses	\$ -	\$ 35,843	\$ 35,843

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Crater Criminal Justice Training Academy

Compliance Report

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

To the Honorable Members of the Board of Directors
Crater Criminal Justice Training Academy
Disputanta, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Crater Criminal Justice Training Academy (the "Academy"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 or significant deficiencies may exist that have not been identified.**

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 1, 2022

CRATER CRIMINAL JUSTICE TRAINING ACADEMY
SUMMARY OF COMPLIANCE MATTERS
June 30, 2022

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

STATE COMPLIANCE MATTERS

Code of Virginia:

Cash and Investment Laws

Local Retirement Systems

Procurement Laws

Uniform Disposition of Unclaimed Property Act

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