



Virginia Peninsula Regional Jail Authority

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

Year Ended June 30, 2022

Virginia Peninsula Regional Jail Authority

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 Commission 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 Principles

As described in Notes 1, 8, and 13 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
December 1, 2022

Virginia Peninsula Regional Jail Authority
Management's Discussion and Analysis
June 30, 2022

This section of the Virginia Peninsula Regional Jail Authority's (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2022.

Financial Highlights

The Authority's net position increased by \$2,205,460 for fiscal year 2022. The increase was primarily due to a reduction in operating expenses related to salaries and benefits. Total liabilities experienced a decrease of (\$746,451), primarily due to a decrease in long-term liabilities at year-end.

Overview of the Financial Statements

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

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

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

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

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

Virginia Peninsula Regional Jail Authority
Management's Discussion and Analysis
June 30, 2022

Financial Analysis

Statements of Net Position

	<u>6/30/2022</u>	<u>6/30/2021</u>
Current and other assets	\$ 9,021,101	\$ 7,403,283
Capital assets, net	13,574,409	14,233,411
Net pension asset	7,010,030	2,565,665
Total assets	<u>\$ 29,605,540</u>	<u>\$ 24,202,359</u>
Deferred outflows of resources	777,153	1,125,168
Total assets and deferred outflows	<u>\$ 30,382,693</u>	<u>\$ 25,327,527</u>
Current liabilities	\$ 207,912	\$ 567,458
Long-term liabilities	2,172,536	2,559,441
Total liabilities	<u>2,380,448</u>	<u>3,126,899</u>
Deferred inflows of resources	<u>3,957,690</u>	<u>361,533</u>
Net position:		
Net investment in capital assets	12,568,324	13,130,323
Restricted	7,010,030	2,565,665
Unrestricted	<u>4,466,201</u>	<u>6,143,107</u>
Total net position	<u>24,044,555</u>	<u>21,839,095</u>
Total liabilities, deferred inflows and net position	<u>\$ 30,382,693</u>	<u>\$ 25,327,527</u>

Total assets increased by \$5,403,181 from fiscal year 2021, primarily due to an increase in the Authority's net pension asset. Total liabilities experienced a decrease of (\$746,451) primarily due to a decrease in long-term liabilities at year-end. Total net position was \$24,044,555 and \$21,839,095 at June 30, 2022 and 2021, respectively.

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

	<u>6/30/2022</u>	<u>6/30/2021</u>
Operating revenues:		
Fees from member jurisdictions	\$ 5,881,617	\$ 5,823,430
Commonwealth of Virginia	5,256,285	5,142,006
Federal government	873	51,243
Other	1,308,021	1,200,429
Total operating revenues	<u>12,446,796</u>	<u>12,217,108</u>
Operating expenses:		
Salaries and benefits	5,456,609	6,638,212
Contractual services	1,660,411	1,278,433
Depreciation and amortization	956,027	937,424
Other	<u>2,161,453</u>	<u>2,029,084</u>
Total operating expenses	<u>10,234,500</u>	<u>10,883,153</u>
Operating income	<u>2,212,296</u>	<u>1,333,955</u>
Nonoperating revenues (expenses):		
Interest expense	(30,934)	(33,168)
Investment income	11,091	5,413
Gain (loss) on disposal of capital assets	13,007	(10,420)
Net nonoperating revenues (expenses)	<u>(6,836)</u>	<u>(38,175)</u>
Change in net position	2,205,460	1,295,780
Net position, beginning of year	21,839,095	20,543,315
Net position, end of year	<u>\$ 24,044,555</u>	<u>\$ 21,839,095</u>

Operating revenues increased by \$229,688, primarily due to an increase in revenue from the Commonwealth. Operating expenses decreased by (\$648,653) primarily due to the net impact of a decrease in salary and benefits related to post-employment benefit cost adjustments and an increase in contractual services related to a new Inmate Medical Service contract that began in March 2022. Total net position increased by \$2,205,460 from 2021, mainly attributable to the circumstances noted above.

Virginia Peninsula Regional Jail Authority
Management's Discussion and Analysis
June 30, 2022

Capital Assets

	6/30/2022	6/30/2021
Nondepreciable	\$ 881,571	\$ 881,571
Depreciable, net	12,672,094	13,351,840
Leased assets, net	20,744	-
Capital assets, net	\$ 13,574,409	\$ 14,233,411

During fiscal year 2022, the Authority purchased four vehicles, security equipment, and kitchen equipment. They sold five vehicles and a piece of kitchen equipment. In addition, the Authority implemented GASB Statement No. 87, *Leases*, in fiscal year 2022, which resulted in the recognition of leased assets and related amortization. The net effect of this activity and the current year's depreciation expense collectively comprises the decrease in capital assets from 2021.

Additional information can be found in Note 4 to the basic financial statements regarding capital assets, and Notes 1, 8 and 13 regarding the implementation of lease standard.

Debt Administration

In February 2013, the Authority signed a \$1,766,000 financed purchase agreement, with an interest rate of 2.85%, with Siemens Public, Inc. The agreement is part of an Energy Performance Contract, with the proceeds of the agreement held in an escrow account with UMB Corporate Trust Services. The balance of the financed purchase agreement at June 30, 2022 and 2021 was \$984,807 and \$1,103,088, respectively.

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

Request for Financial Information

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

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Virginia Peninsula Regional Jail Authority

Statement of Net Position

June 30, 2022

Assets

Cash and short-term investments (Note 2)	\$ 8,381,896
Due from other governmental units (Note 3)	522,596
Due from James City County, net (Note 9)	3,513
Due from fiduciary fund	16,595
Accounts receivable	33,606
Lease interest receivable (Note 8)	157
Lease receivable (Note 8)	
Due within one year	3,231
Due in more than one year	59,507
Capital assets, net (Note 4):	
Nondepreciable	881,571
Depreciable, net	12,672,094
Lease asset, net (Note 8)	20,744
Net pension asset (Note 6)	7,010,030
Total assets	<u>29,605,540</u>

Deferred outflows of resources

Deferred pension outflows (Note 6)	686,673
Deferred retiree healthcare OPEB outflows (Note 7)	27,727
Deferred GLI OPEB outflows (Note 7)	62,753
Total deferred outflows of resources	<u>777,153</u>
Total assets and deferred outflows of resources	<u><u>\$ 30,382,693</u></u>

Liabilities

Accounts payable	\$ 197,022
Interest payable	2,339
Lease interest payable (Note 8)	52
Accrued payroll	8,499
Long-term liabilities (Notes 5 and 8):	
Due within one year	827,267
Due in more than one year	1,345,269
Total liabilities	<u>2,380,448</u>

Deferred inflows of resources

Deferred revenue	312,537
Deferred lease inflows (Note 8)	61,535
Deferred pension inflows (Note 6)	3,199,574
Deferred retiree healthcare OPEB inflows (Note 7)	222,837
Deferred GLI OPEB inflows (Note 7)	161,207
Total deferred inflows of resources	<u>3,957,690</u>

Net position

Net investment in capital assets	12,568,324
Restricted for pensions	7,010,030
Unrestricted	4,466,201
Total net position	<u>24,044,555</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 30,382,693</u></u>

See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority

Statement of Revenue, Expenses and Changes in Net Position

Year Ended June 30, 2022

Operating revenues

Fees from member jurisdictions	\$ 5,881,617
Commonwealth of Virginia	5,256,285
Telephone commissions	750,000
Miscellaneous	332,373
Canteen sales	144,569
Work release fees	40,962
Home Electronic Incarceration Fees	29,049
Donations	6,565
Lease revenue (Note 8)	4,503
Federal government	873
Total operating revenues	<u>12,446,796</u>

Operating expenses

Salaries and benefits	5,456,609
Contractual services	1,660,411
Depreciation and amortization	956,027
Utilities	502,859
Food and food supplies	445,589
Medical supplies	224,920
Other supplies	201,365
Insurance	191,908
Building and field maintenance	171,850
Fiscal agent fee (Note 9)	117,333
Furniture and equipment	83,321
Transportation	57,137
Inmate betterment	46,179
Inmate clothing	32,770
Staff clothing	26,883
Staff development	23,370
Software	10,988
Indigent expenses	10,012
Donations	6,365
Advertising	5,865
Other	2,739
Total operating expenses	<u>10,234,500</u>

Operating income 2,212,296

Nonoperating revenues (expenses)

Interest expense	(30,934)
Interest income	11,091
Gain on disposal of capital assets	13,007
Net nonoperating revenues (expenses)	<u>(6,836)</u>

Changes in net position 2,205,460

Net position, beginning of year 21,839,095

Net position, end of year \$ 24,044,555

See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority

Statements of Cash Flows

Year Ended June 30, 2022

Cash flows from operating activities:

Cash received from customers	\$ 12,517,942
Cash payments to suppliers for goods and services	(3,875,173)
Cash payments for personnel services	(6,618,752)
Net cash provided by operating activities	<u>2,024,017</u>

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(255,592)
Proceeds from sale of capital assets	20,246
Payment of debt	(118,281)
Payment of lease liabilities	(27,394)
Interest paid	(31,162)
Net cash used in capital and financing activities	<u>(412,183)</u>

Cash flows from investment activities:

Lease payments received	3,300
Interest received	7,750
Net cash used in investing activities	<u>11,050</u>

Increase in cash and short-term investments	1,622,884
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Cash and short-term investments, beginning of year	<u>6,759,012</u>
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Cash and short-term investments, end of year	<u><u>\$ 8,381,896</u></u>
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Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 2,212,296
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	956,027
Pension recovery, net of employer contributions	(1,186,629)
Retiree healthcare OPEB expense, net of employer contributions	(25,327)
Group life insurance OPEB expense, net of employer contributions	(29,336)
Lease income	(4,503)
Changes in operating assets and liabilities:	
Due from other governmental units	54,751
Due from fiduciary fund	4,733
Due from James City County	3,183
Accounts receivable	8,478
Accounts payable	(361,343)
Deferred revenue	312,537
Accrued payroll	2,025
Compensated absences	77,125
Total adjustments	<u>(188,279)</u>

Net cash provided by operating activities	<u><u>\$ 2,024,017</u></u>
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Noncash investing activity:

Interest income included in accounts receivable at June 30	<u><u>\$ 3,340</u></u>
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See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority

Statement of Fiduciary Net Position

June 30, 2022

	Inmate Trust Fund
Assets	
Cash and short-term investments	\$ 48,406
Total assets	<u>\$ 48,406</u>
Liabilities	
Accounts payable	\$ 20,497
Amounts held for others	11,271
Due to other funds	16,595
Total liabilities	<u>\$ 48,363</u>
Net position	
Unrestricted	\$ 43
Total net position	<u>\$ 43</u>

See independent auditor's report.

Virginia Peninsula Regional Jail Authority
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2022

	<u>Inmate Fund</u>
Additions	
Inmate contributions	\$ 855,004
Total additions	<u>855,004</u>
Deductions	
Inmate expenses	<u>861,129</u>
Total deductions	<u>861,129</u>
 Changes in net position	 (6,125)
Net position, beginning of year	<u>6,168</u>
Net position, end of year	<u><u>\$ 43</u></u>

See independent auditor's report.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2022

1) Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

Basis of Accounting and Measurement Focus

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

Budget Policy

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

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

Cash Equivalents

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

Capital Assets

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

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2022

1) Summary of Significant Accounting Policies, Continued

Capital Assets, Continued

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

Buildings and improvements	10-40 years
Furniture, equipment, and vehicles	3-12 years
Leased asset - equipment	1-6 years

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

Interfund Transactions

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

Deferred Outflows and Inflows of Resources

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

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

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

Fees from Member Jurisdictions Revenue

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

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2022

1) Summary of Significant Accounting Policies, Continued

Estimates

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

Adoption of New Accounting Statement

For fiscal year 2022, the Authority implemented GASB Statement No. 87, *Leases* (GASB 87). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. There was no change to the Authority's total net position as a result of the implementation of this standard; however, new assets, liabilities, and deferred inflows of resources are now presented on the Authority's statement of net position due to this pronouncement.

Leases

Lessee: The Authority is a lessee for noncancellable leases of equipment. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position. The Authority recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. In addition, the likelihood of any extension, renewal, or termination option is assessed in determining the lease term.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

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

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

Lessor: The Authority is a lessor for a noncancellable lease of property. The Authority recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2022

1) Summary of Significant Accounting Policies, Continued

Leases, Continued

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

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

- The Authority uses the interest rate included in the lease as the discount rate. When the interest rate is not provided, the interest rate implicit in the lease is determined and used as the discount rate.
- The lease term includes the noncancellable period of the lease. In addition, the likelihood of any extension, renewal, or termination option is assessed in determining the lease term.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

2) Cash and Short-Term Investments

The Authority's cash and short-term investments at June 30, 2022, consisted of the following:

Bank deposits	\$	4,890,871
Short-term investments		3,539,431
Total	\$	<u>8,430,302</u>
Reconciliation to Financial Statements:		
Statement of Net Position - Cash and short-term investments	\$	8,381,896
Statement of Fiduciary Net Position - Cash and short-term investments		48,406
Total	\$	<u>8,430,302</u>

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

The Authority's investments at June 30, 2022, were as follows:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Level</u>	<u>Maturity</u>	<u>Rated</u>
LGIP (amortized cost)	\$ 3,539,431	\$ 3,539,431	N/A	1 day	N/A

Investment Policy

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

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

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2022

2) Cash and Short-Term Investments, Continued

Investment Policy, Continued

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

Credit Risk

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

As of June 30, 2022, the Authority's investment in LGIP was rated AAAM by Standard & Poor's.

Concentration of Credit Risk

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

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

At June 30, 2022, the Authority's portfolio was invested entirely in the Commonwealth of Virginia LGIP account.

Interest Rate Risk

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

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

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2022

2) Cash and Short-Term Investments, Continued

Custodial Credit Risk

The Policy requires all investment securities purchased by the Authority or held as collateral on deposits or investments shall be held by the Authority or by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction. As of June 30, 2022, all of the Authority's investments are held in a bank's trust department in its name.

3) Due from Other Governmental Units

At June 30, 2022, due from other governmental units consists of the following:

Commonwealth of Virginia	\$ 522,596
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4) Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2022.

	Balances July 1, 2021	Increases	Decreases	Balances June 30, 2022
Capital assets, non-depreciable:				
Land and land improvements	\$ 881,571	\$ -	\$ -	\$ 881,571
Capital assets, depreciable:				
Land improvements	72,800	-	-	72,800
Intangibles	41,250	-	-	41,250
Buildings and improvements	31,092,384	-	-	31,092,384
Furniture, equipment, and vehicles	2,211,608	255,592	127,288	2,339,912
Leased asset - equipment*	48,672	-	-	48,672
Total capital assets, depreciable	33,466,714	255,592	127,288	33,595,018
Less accumulated depreciation:				
Land improvements	4,853	3,640	-	8,493
Intangibles	14,603	8,415	-	23,018
Buildings and improvements	18,121,154	802,069	-	18,923,223
Furniture, equipment, and vehicles	1,925,592	113,975	120,049	1,919,518
Leased asset - equipment*	-	27,928	-	27,928
Total accumulated depreciation	20,066,202	956,027	120,049	20,902,180
Total capital assets, depreciable, net	13,400,512	(700,435)	7,239	12,692,838
Net capital assets	\$ 14,282,083	\$ (700,435)	\$ 7,239	\$ 13,574,409

*The leased asset and related amortization resulted from the implementation of GASB Statement No. 87. Additional information on this asset can be found in Note 8, and information on the related restatements can be found in Note 13.

5) Long-Term Liabilities

A summary of the Authority's changes in long-term liabilities for the year ended June 30, 2022, is as follows:

	Balance 7/1/2021	Increases	Decreases	Balance 6/30/2022	Due Within One Year
Compensated absences	\$ 611,489	\$ 627,026	\$ 549,901	\$ 688,614	\$ 688,614
Financed purchase payable	1,103,088	-	118,281	984,807	126,446
Retiree healthcare OPEB	431,660	-	197,855	233,805	-
Group life insurance OPEB	413,204	-	169,172	244,032	-
Lease payable*	48,672	-	27,394	21,278	12,207
Total	\$ 2,608,113	\$ 627,026	\$ 1,062,603	\$ 2,172,536	\$ 827,267

*The lease payable resulted from the implementation of GASB Statement No. 87. Additional information on this liability can be found in Note 8, and information on the related restatements can be found in Note 13.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2022

5) Long-Term Liabilities, Continued

Compensated Absences

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

	6/30/2022
Vacation	\$ 313,747
Sick	89,136
Holiday	285,731
Total	<u>\$ 688,614</u>

Financed Purchase Payable

In February 2013, the Authority signed a \$1,766,000 financed purchase agreement for energy efficient improvements with an interest rate of 2.85%, with Siemens Public, Inc. The net book value of the capital assets purchased under this lease was \$774,710 at June 30, 2022, and the Authority had interest payable of \$2,339 related to this agreement at June 30, 2022. The annual requirements for principal and related interest are as follows:

Year ended June 30	Principal	Interest
2023	\$ 126,446	\$ 26,741
2024	134,989	23,047
2025	143,925	19,106
2026	153,269	14,905
2027	163,039	10,433
2028-2029	263,139	6,641
Total	<u>\$ 984,807</u>	<u>\$ 100,873</u>

6) Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension asset, deferred outflow of resources and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the Authority's retirement plan and the additions to/deductions from the Authority's retirement plan's net fiduciary position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

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

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

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

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2022

6) Pensions, Continued

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	78
Inactive members:	
Vested	23
Non-vested	163
Active elsewhere in VRS	<u>82</u>
Total inactive members	268
Active members	<u>111</u>
Total covered members	<u>457</u>

Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2022, was 8.92% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$347,828 and \$372,453 for the years ended June 30, 2022, and June 30, 2021, respectively.

Net Pension Asset

The net pension asset is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less the employer's fiduciary net position. For the Authority, the net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total pension liability for General Employees and Public Safety employees with Hazardous Duty Benefits in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 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%
General Employees	
- Salary increases, including inflation	3.50% – 5.35%
Public Safety Employees with Hazardous Duty Benefits	
- Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2022

6) Pensions, Continued

Actuarial Assumptions (Continued)

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table with various set backs or set forwards for both males and females.

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:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates, salary scale, line of duty disability, or discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70; decreased withdrawal rates to better fit experience; no change to disability rates, salary scale, line of duty disability, or discount rate

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public equity	34.00%	5.00%	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	<u>100.00%</u>		<u>4.89%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	<u>7.39%</u>

* 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. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations, provide a median return of 7.11%, including expected inflation of 2.50%.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2022

6) Pensions, Continued

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022, 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 fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 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.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total pension liability	Plan fiduciary net pension	Net pension liability (asset)
Balances at June 30, 2020	\$ 15,541,353	\$ 18,107,018	\$ (2,565,665)
Changes for the year:			
Service cost	738,262	-	738,262
Interest	1,022,024	-	1,022,024
Changes in benefit terms	-	-	-
Changes of assumptions	630,952	-	630,952
Differences between expected and actual experience	(1,307,315)	-	(1,307,315)
Contributions - employer	-	372,453	(372,453)
Contributions - employee	-	207,308	(207,308)
Net investment income	-	4,960,282	(4,960,282)
Benefit payments, including refunds of employee contributions	(800,521)	(800,521)	-
Administrative expenses	-	(12,224)	12,224
Other changes	-	469	(469)
Net changes	283,402	4,727,767	(4,444,365)
Balances at June 30, 2021	\$ 15,824,755	\$ 22,834,785	\$ (7,010,030)

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

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

	1% Decrease (5.75%)	Current discount rate (6.75%)	1% Increase (7.75%)
Net pension asset	\$ (5,025,828)	\$ (7,010,030)	\$ (8,643,204)

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

For the year ended June 30, 2022, the Authority recognized pension expense (recovery) of (\$838,801).

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

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2022

6) Pensions, Continued

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

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Employer contributions subsequent to measurement date	\$ 347,828	\$ -
Differences between expected and actual experience	-	722,022
Changes of assumptions	338,845	-
Net difference between projected and actual earnings on plan investments	-	2,477,552
Total	<u>\$ 686,673</u>	<u>\$ 3,199,574</u>

The \$347,828 reported as a deferred outflow of resources represents contributions subsequent to the measurement date and will be recognized as an increase to the net pension asset in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (recovery) as follows:

Year ended June 30

2023	\$ (915,288)
2024	(618,816)
2025	(577,444)
2026	(749,181)
	<u>\$ (2,860,729)</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans 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 <http://www.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.

7) Other Post-Employment Benefits (OPEB)

Multiple Employer Cost-Sharing Plan - Retiree Healthcare

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

Plan Description

Participants must be eligible to retire under VRS and must be full-time active employees who retire directly from the Authority and are at least 55 years of age with 15 years of service. Each year, retirees participating in the Authority's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. For fiscal year 2022, the pre-Medicare retirees have a choice of two plans offered by Optima. Dental plans are available at the retiree's cost and therefore, there is no employer obligation. There is no coverage for post-Medicare retirees.

Funding Policy

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

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2022

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

Actuarial Methods and Assumptions

For the actuarial valuation at April 1, 2022 (measurement date of June 30, 2021), the entry age normal funding method was used. The goal of this method is that the annual accrual (or normal cost) be a level percent of pay throughout an employee's career. This method requires a salary increase assumption. The normal cost percentage is equal to the present value of benefits divided by the present value of future salary determined when the employee was hired. The actuarial accrued liability is equal to the present value of benefits minus the normal cost percentage times the present value of future salaries at the valuation date.

The actuarial assumptions included calculations based on a discount rate of 1.92% for June 30, 2021, for the unfunded liability. Benefits are discounted based on an index rate for 20-year tax-exempt general obligation (GO) municipal bonds with an average rating of AA/Aa or higher.

For the actuarial valuation dated April 1, 2022, the medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in October 2010 and updated in October 30, 2021. The following assumptions were used as input variables into this model:

Inflation	2.50%
Rate of growth in real income/ GDP per capita	1.40%
Extra trend due to technology and other factors	1.00%
Expected health share of GDP in 2029	19.00%
Health share of GDP resistance point	20.00%
Year for limiting cost growth to GDP growth	2075

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

The actuarial assumptions included calculations based on salary increases of 2.85%-1.00% (general) and 2.25%-1.00% (public safety) based on years of service. The valuation assumed that 40% of participants currently with coverage will elect coverage upon retirement, and that 30% of participants electing coverage at retirement will elect coverage for their spouse.

Mortality decrements used in the April 1, 2022, valuation:

- Pre-Retirement
 - General: Pub-2010 General Employees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale
 - LEOS: Pub-2010 Public Safety Employees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale
- Post-Retirement
 - General: Pub-2010 General Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale
 - LEOS: Pub-2010 Public Safety Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale
- Disabled:
 - General: Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale
 - LEOS: Pub-2010 Public Safety Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2022

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

Changes in Assumptions Since Prior Valuation

- The discount rate was updated to 1.92% (the latest 20-year Municipal GO AA Index as of June 30, 2021).
- The mortality improvement scale was updated to the latest MP2021 scale.
- The medical trend was updated. The trend was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions.
- The Salary Scale, Retirement, Termination, and Disability assumptions have been updated to the rates disclosed in the Virginia Retirement System Experience Study dated September 10, 2021.

Retiree Healthcare OPEB Liability

At June 30, 2022, the Authority reported a retiree healthcare OPEB liability of \$233,805 for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2022, retiree healthcare OPEB liability was measured as of June 30, 2021, and was determined by an actuarial valuation performed April 1, 2022. The Authority's proportion of the County's retiree healthcare OPEB liability was based on the Authority's projected long-term contribution effort to the OPEB plan as compared to the total projected long-term contribution effort of all contributing entities to determine the Authority's proportion. At June 30, 2022, the Authority's proportion of the County's retiree healthcare OPEB liability was 5.31%.

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

The following presents the retiree healthcare OPEB liability using the discount rate of 1.92%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.92%) or one percentage point higher (2.92%) than the current rate for the measurement date of June 30, 2021:

	1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
Retiree Healthcare OPEB Liability	\$ 256,393	\$ 233,805	\$ 212,937

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

The following presents the retiree healthcare OPEB liability using the health care cost trend rate of 3.94%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (2.94%) or one percentage point higher (4.94%) than the current rate:

	1% Decrease (2.94%)	Medical Trend Rate (3.94%)	1% Increase (4.94%)
Retiree Healthcare OPEB Liability	\$ 206,452	\$ 233,805	\$ 265,921

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

For the year ended June 30, 2021, the Authority recognized retiree healthcare OPEB expense (recovery) of (\$24,363). Since there was a change in proportionate share between measurement dates, a portion of the retiree healthcare OPEB expense was related to deferred amounts from changes in proportion. At June 30, 2022, deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB from the following sources were reported:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 15,201	\$ 101,149
Changes of assumptions	12,526	17,258
Change in proportion	-	104,430
Total	\$ 27,727	\$ 222,837

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2022

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

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

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

<u>Year Ended</u>	
2023	\$ (52,766)
2024	(52,767)
2025	(49,423)
2026	(38,260)
2027	1,892
Thereafter	(3,786)
Total	<u>\$ (195,110)</u>

Virginia Retirement System Plan – Group Life Insurance

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

Plan Description

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

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

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

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

Contributions

Contributions to the GLI OPEB program were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the GLI OPEB program are as follows:

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2022 Contribution	\$ 21,467

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2022

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

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

The net GLI OPEB liability was measured as of June 30, 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 were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers.

June 30, 2022 proportionate share of liability	\$244,032
June 30, 2021 proportion	0.02096%
June 30, 2020 proportion	0.02476%
June 30, 2022 expense (recovery)	(\$7,266)

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

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

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 27,833	\$ 1,859
Net difference between projected and actual investment earnings on OPEB Plan investments	-	58,245
Changes of assumptions	13,453	33,389
Changes in proportionate share	-	67,714
Employer contributions subsequent to the measurement date	21,467	-
Total	\$ 62,753	\$ 161,207

The \$21,467 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended	Increase (Reduction) to OPEB Expense
2023	\$ (29,286)
2024	(25,092)
2025	(22,954)
2026	(29,576)
2027	(13,013)
Thereafter	-
Total	\$ (119,921)

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2022

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

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2020, 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:	
Locality – General employees	3.50% – 5.35%
Locality – Hazardous duty employees	3.50% – 4.75%
Teachers	3.50% – 5.95%
Investment rate of return	6.75%; net of investment expenses, including inflation*

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

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

Net GLI OPEB Liability

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

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

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

Long-Term Expected Rate of Return

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

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2022

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	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 Onvestment 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 for 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 rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate 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 GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, the rate contributed by the employer for the GLI OPEB liability will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2021 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 356,539	\$ 244,032	\$ 153,177

Group Life Insurance Program Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.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.

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2022

8) Leases

The Authority implemented GASB 87 in fiscal year 2022, and the Authority's lease assets and liabilities in its role as a lessee, and its lease receivable and deferred inflow of resources in its role as a lessor were determined as of the start of the fiscal year. Restated balances as of June 30, 2021 are provided in Note 13.

Lease Receivable

The Authority leases approximately 4180 square feet of its property at 9320 Merrimac Trail to Verizon for the location of a cell tower and shed. The lease is in the first of two, ten-year renewals with the final renewal ending in February 2036. The Authority receives monthly payments which increase every five years by the Consumer Price Index (CPI). The discount rate for this lease is 3.0% annually. The Authority recognized \$4,503 of lease revenue and \$1,769 of interest revenue during fiscal year 2022 related to this lease. As of June 30, 2022, the Authority's receivable for lease payments was \$62,738, and lease interest receivable was \$157. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue on a straight-line basis over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$61,535.

The present value of future annual lease payments from the lessee are anticipated as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 3,231	\$ 1,838	\$ 5,069
2024	3,329	1,740	5,069
2025	3,430	1,639	5,069
2026	3,706	1,533	5,239
2027	4,165	1,414	5,579
2028-2032	23,572	5,078	28,650
2033-2036	21,305	1,220	22,525
Total	<u>\$ 62,738</u>	<u>\$ 14,462</u>	<u>\$ 77,200</u>

Leases Payable

The Authority is a lessee of seven copiers, a dishwasher, and a postage machine.

The lease for the copiers runs through September 2022, and the discount rate is 3.0% annually. As of June 30, 2022, the Authority has a lease liability for the copier equipment of \$5,400. The Authority is required to make monthly principal and interest payments of \$1,809 for the seven copiers. The value of the right-to-use asset for the copiers as of June 30, 2022, is \$5,334, and had accumulated amortization of \$21,335.

The lease for the dishwasher runs through October 2023, and the discount rate is 3.0% annually. As of June 30, 2022, the Authority has a lease liability for the dishwasher of \$6,483. During fiscal year 2022, the Authority made monthly principal and interest payments of \$385 for the dishwasher, and that amount will increase to \$414 in July 2022. The value of the right-to-use asset as of June 30, 2022, is \$6,208, and had accumulated amortization of \$4,656.

The lease for the postage machine runs through March 2027, and the discount rate is 3.0% annually. As of June 30, 2022, the Authority has a lease liability for the postage machine of \$9,395. Through March 2022, the Authority made quarterly principal and interest payments of \$499 for the postage machine, and starting in April 2022, the quarterly payments increased to \$531. The value of the right-to-use asset as of June 30, 2022, is \$9,202, and had accumulated amortization of \$1,937.

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2022

8) Leases, Continued

The future principal and interest lease payments as of June 30, 2022, for the Authority's agreements as a lessee were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 12,106	\$ 411	\$ 12,517
2024	3,570	209	3,779
2025	1,984	140	2,124
2026	2,044	80	2,124
2027	1,574	20	1,594
Total	<u>\$ 21,278</u>	<u>\$ 860</u>	<u>\$ 22,138</u>

9) Transactions with Related Parties

Certain financial management and accounting services are provided to the Authority by the County. The charges for these services totaled \$117,333 for the year ended June 30, 2022.

At June 30, 2022, the County owed \$3,513 to the Authority primarily for payroll expenses, and this amount is included on the statement of net position as due from James City County. These payroll expenses were paid by the Authority to the County prior to June 30, 2022, for Authority employees' VRS benefits. The amount owed back to the Authority primarily relates to payments made on behalf of employees who were determined to be ineligible for the VRS benefits subsequent to year-end due to termination or other circumstances.

10) Commitments

In December 2021, the Authority entered into an agreement with CBH Medical of Virginia, LLC for primary care medical services and mental health services for inmates. The initial term of the contract commenced on March 1, 2022, and ends on February 28, 2025, with the option to grant five (5) separate one (1) year extensions. Per the agreement, the Authority would pay a minimum of \$1,899,984 per year in twelve monthly installments of \$158,332. The monthly installment could be increased by \$3.25 per inmate per day if the average daily population for a given month is greater than 450 inmates per day. The increase would be included in the monthly invoice following that period. The Authority paid \$633,328 to CBH Medical of Virginia, LLC in fiscal year 2022 related to this agreement and this amount is included in contractual services on the statement of revenues, expenses, and changes in net position.

11) Litigation

The Authority could be subject to certain claims that arise in the ordinary course of operations. The Authority currently does not have open claims; all previous claims have been settled out of courts with the settlements remaining confidential. In the opinion of management, after consultation with counsel, the outcome of such claims have been determined not to have a material adverse effect on the Authority's operations or financial position.

12) COVID-19

During fiscal year 2022, the novel coronavirus disease (COVID-19) impacted the operational and financial activities of the Authority. COVID-19 resulted in losses of revenue and a decrease in the population at the Authority. The loss of revenue was offset by a decrease in inmate expenses due to the lower population and reduced costs for staff development as a result of limitations on travel and training.

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

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2022

13) Restatement

Certain line items on the Authority's statement of net position as of the beginning of fiscal year 2022 were restated to reflect adjustments to related to the Authority's implementation of GASB 87. More information regarding the adjustments can be found in Note 8 and the related balances have been adjusted as follows:

Statement of Net Position	7/1/2021 Previously Reported	Restatement	7/1/2021 As Restated
Lease receivable	\$ -	\$ 66,038	\$ 66,038
Deferred inflow of resources for leases	\$ -	\$ (66,038)	\$ (66,038)
Lease asset	\$ -	\$ 48,672	\$ 48,672
Lease payable	\$ -	\$ (48,672)	\$ (48,672)

* * * * *

Required Supplementary Information

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	738,262	912,785	\$ 844,875	\$ 824,692	\$ 815,014	\$ 774,740	\$ 755,721	\$ 696,818
Interest	1,022,024	957,453	934,640	924,417	857,808	840,404	751,781	685,356
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(1,307,315)	(193,385)	(765,242)	(898,906)	37,356	(886,823)	183,103	-
Changes in assumptions	630,952	-	429,432	-	(99,812)	-	-	-
Benefit payments, including refunds of employee contributions	(800,521)	(639,970)	(582,480)	(825,831)	(491,774)	(467,611)	(381,528)	(484,966)
Net change in total pension liability	283,402	1,036,883	861,225	24,372	1,118,592	260,710	1,309,077	897,208
Total pension liability, beginning	15,541,353	14,504,470	13,643,245	13,618,873	12,500,281	12,239,571	10,930,494	10,033,286
Total pension liability, ending	15,824,755	15,541,353	\$ 14,504,470	\$ 13,643,245	\$ 13,618,873	\$ 12,500,281	\$ 12,239,571	\$ 10,930,494
Plan fiduciary net position								
Contributions - employer	372,453	464,044	455,929	429,876	429,635	552,590	516,601	628,274
Contributions - employee	207,308	242,443	238,811	242,861	242,980	244,984	236,366	223,741
Net investment income	4,960,282	338,814	1,114,739	1,147,713	1,683,653	242,074	569,404	1,633,051
Benefit payments, including refunds of employee contributions	(800,521)	(639,970)	(582,480)	(825,831)	(491,774)	(467,611)	(381,528)	(484,966)
Administrative expense	(12,224)	(11,285)	(10,577)	(9,799)	(9,348)	(7,839)	(7,304)	(8,404)
Other	469	(408)	(707)	(1,024)	(1,516)	(100)	(121)	86
Net change in plan fiduciary net position	4,727,767	393,638	1,215,715	983,796	1,853,630	564,098	933,418	1,991,782
Plan fiduciary net position, beginning	\$ 18,107,018	17,713,380	16,497,665	15,513,869	13,660,239	13,096,141	12,162,723	10,170,941
Plan fiduciary net position, ending	\$ 22,834,785	\$ 18,107,018	\$ 17,713,380	\$ 16,497,665	\$ 15,513,869	\$ 13,660,239	\$ 13,096,141	\$ 12,162,723
Net pension asset	\$ (7,010,030)	\$ (2,565,665)	\$ (3,208,910)	\$ (2,854,420)	\$ (1,894,996)	\$ (1,159,958)	\$ (856,570)	\$ (1,232,229)
Plan fiduciary net position as a percentage of the total pension liability	144.30%	116.51%	122.12%	120.92%	113.91%	109.28%	107.00%	111.27%
Covered payroll	\$ 4,258,877	\$ 4,978,010	\$ 4,855,641	\$ 4,901,876	\$ 4,894,773	\$ 4,932,752	\$ 4,599,484	\$ 4,487,387
Net pension asset as a percentage of the total covered payroll	(164.60)%	(51.54)%	(66.09)%	(58.23)%	(38.71)%	(23.52)%	(18.62)%	(27.46)%

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

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

See accompanying notes and independent auditor's report.

Virginia Peninsula Regional Jail Authority
Schedule of Employer Pension Contributions
Last 10 Fiscal Years (1)

Fiscal year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution excess (deficiency)	Employer's covered payroll	Contributions as a % of covered payroll
2022	\$ 347,828	\$ 347,828	\$ -	\$ 4,004,992	8.68%
2021	372,453	372,453	-	4,258,877	8.75%
2020	464,044	464,044	-	4,978,010	9.32%
2019	460,393	460,393	-	4,855,641	9.48%
2018	432,963	432,963	-	4,901,876	8.83%
2017	431,719	431,719	-	4,894,773	8.82%
2016	554,438	554,441	3	4,932,752	11.24%
2015	516,589	516,982	393	4,599,484	11.24%

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

See accompanying notes and independent auditor's report.

Virginia Peninsula Regional Jail Authority
Schedule of Employer's Share of Retiree Healthcare OPEB Liability (1) (2)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

Measurement date as of June 30,	2021	2020	2019	2018	2017
Employer's proportion of the County's Retiree Healthcare OPEB liability	5.31%	7.28%	7.28%	7.55%	7.55%
Employer's proportionate share of the County's Retiree Healthcare OPEB liability	\$ 233,805	\$ 431,660	\$ 380,391	\$ 444,951	\$ 418,156
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Expected average remaining service years of all participants	5	6	6	7	7

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

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

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

See accompanying notes and independent auditor's report.

Virginia Peninsula Regional Jail Authority
Schedule of Employer's Share of Net Group Life Insurance (GLI) OPEB Liability
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1) *

	2022	2021	2020	2019	2018
Employer's proportion of the net GLI OPEB liability	0.02096%	0.02476%	0.02539%	0.02628%	0.02673%
Employer's proportionate share of the net GLI OPEB liability	\$ 244,032	\$ 413,204	\$ 413,163	\$ 399,000	\$ 403,000
Employer's covered payroll	\$ 4,258,877	\$ 4,978,010	\$ 4,855,641	\$ 4,901,876	\$ 4,894,773
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	5.73%	8.30%	8.51%	8.14%	8.23%
Plan fiduciary net position as a % of total GLI OPEB liability	67.45%	52.64%	52.00%	51.22%	48.86%

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

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

See accompanying notes and independent auditor's report.

Virginia Peninsula Regional Jail Authority
Schedule of Employer OPEB Contributions
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1)

OPEB - Retiree Healthcare (2)			
Fiscal Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)
2022	\$ (24,363)	\$ -	\$ (24,363)
2021	27,275	-	27,275
2020	25,307	-	25,307
2019	38,161	-	38,161
2018	69,058	-	58,766

OPEB - Group Life Insurance					
Fiscal Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2022	\$ 21,467	\$ 21,467	\$ -	\$ 4,004,992	0.54%
2021	22,828	22,828	-	4,258,877	0.54%
2020	26,085	26,085	-	4,978,010	0.52%
2019	25,444	25,444	-	4,855,641	0.52%
2018	25,686	25,686	-	4,901,876	0.52%

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

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

See accompanying notes and independent auditor's report.

Virginia Peninsula Regional Jail Authority
Note to Required Supplemental Information
Year ended June 30, 2022

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

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

2) Pension - Changes of Assumptions

The actuarial assumptions used in the June 30, 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:

All Others (Non-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 age and service year 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-Largest 10) – 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 age and service year through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

3) Group Life Insurance Program OPEB - 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:

Virginia Peninsula Regional Jail Authority
Note to Required Supplemental Information
Year ended June 30, 2022

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

General State 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
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

Teachers:

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-2020Retirement
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
Discount Rate	No change

SPORS 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	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Virginia Peninsula Regional Jail Authority
Note to Required Supplemental Information
Year ended June 30, 2022

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

VaLORS 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	RatesIncreased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
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

JRS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewerdeaths. Update to PUB2010 public sector mortality tables. Forfuture mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For futuremortality 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 servicedecrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Virginia Peninsula Regional Jail Authority
 Note to Required Supplemental Information
 Year ended June 30, 2022

3) Group Life Insurance Program OPEB - 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

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

4) OPEB Retiree Healthcare - Trust Arrangement and Funding Policy

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

Virginia Peninsula Regional Jail Authority
Note to Required Supplemental Information
Year ended June 30, 2022

5) OPEB Retiree Healthcare - Changes of Assumptions

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

<u>Measurement Date</u>	<u>Discount Rate</u>
June 30, 2017	3.58%
June 30, 2018	3.62%
June 30, 2019	3.13%
June 30, 2020	2.45%
June 30, 2021	1.92%

Supplementary Information

Virginia Peninsula Regional Jail Authority

Combining Statement of Net Position

June 30, 2022

	<u>General Fund</u>	<u>Work Release Fund</u>	<u>Canteen Fund</u>	<u>Total</u>
Assets				
Cash and short-term investments	\$ 7,982,402	\$ 127,391	\$ 272,103	\$ 8,381,896
Due from other governmental units	522,596	-	-	522,596
Due from James City County	3,513	-	-	3,513
Due from other funds	14,170	4,925	-	19,095
Accounts receivable	23,125	-	10,481	33,606
Lease interest receivable	157	-	-	157
Lease receivable				
Due within one year	3,231	-	-	3,231
Due in more than one year	59,507	-	-	59,507
Capital assets, net				
Nondepreciable	881,571	-	-	881,571
Depreciable, net	12,672,094	-	-	12,672,094
Lease asset, net	19,983		761	20,744
Net pension asset	7,010,030	-	-	7,010,030
Total assets	<u>29,192,379</u>	<u>132,316</u>	<u>283,345</u>	<u>29,608,040</u>
Deferred outflows of resources				
Deferred pension outflows	686,673	-	-	686,673
Deferred retiree healthcare OPEB outflows	27,727	-	-	27,727
Deferred GLI OPEB outflows	62,753	-	-	62,753
Total deferred outflows of resources	<u>777,153</u>	<u>-</u>	<u>-</u>	<u>777,153</u>
Total assets and deferred outflows of resources	<u>\$ 29,969,532</u>	<u>\$ 132,316</u>	<u>\$ 283,345</u>	<u>\$ 30,385,193</u>
Liabilities				
Accounts payable	\$ 161,647	\$ 3,054	\$ 32,321	\$ 197,022
Interest payable	2,339	-	-	2,339
Lease interest payable	50		2	52
Accrued payroll	8,499	-	-	8,499
Due to other funds	-	-	2,500	2,500
Long-term liabilities				
Due within one year	826,496	-	771	827,267
Due in more than one year	1,345,269	-	-	1,345,269
Total liabilities	<u>2,344,300</u>	<u>3,054</u>	<u>35,594</u>	<u>2,382,948</u>
Deferred inflows of resources				
Unearned revenue	312,537	-	-	312,537
Deferred leases inflows (Note 8)	61,535	-	-	61,535
Deferred pension inflows	3,199,574	-	-	3,199,574
Deferred retiree healthcare OPEB inflows	222,837	-	-	222,837
Deferred GLI OPEB inflows	161,207	-	-	161,207
Total deferred inflows of resources	<u>3,957,690</u>	<u>-</u>	<u>-</u>	<u>3,957,690</u>
Net position				
Net investment in capital assets	12,568,334	-	(10)	12,568,324
Restricted for pensions	7,010,030	-	-	7,010,030
Unrestricted	4,089,178	129,262	247,761	4,466,201
Total net position	<u>23,667,542</u>	<u>129,262</u>	<u>247,751</u>	<u>24,044,555</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 29,969,532</u>	<u>\$ 132,316</u>	<u>\$ 283,345</u>	<u>\$ 30,385,193</u>

See independent auditor's report.

Virginia Peninsula Regional Jail Authority
Combining Statement of Revenue, Expenses and Changes in Net Position
Year Ended June 30, 2022

	<u>General Fund</u>	<u>Work Release Fund</u>	<u>Canteen Fund</u>	<u>Total</u>
Operating revenues				
Fees from member jurisdictions	\$ 5,881,617	\$ -	\$ -	\$ 5,881,617
Commonwealth of Virginia	5,256,285	-	-	5,256,285
Federal government	873	-	-	873
Telephone commissions	750,000	-	-	750,000
Home Electronic Incarceration Fees	29,049	-	-	29,049
Miscellaneous	332,373	-	-	332,373
Canteen sales	-	-	144,569	144,569
Work release fees	-	40,962	-	40,962
Donations	6,565	-	-	6,565
Lease revenue	4,503	-	-	4,503
Total operating revenues	<u>12,261,265</u>	<u>40,962</u>	<u>144,569</u>	<u>12,446,796</u>
Operating expenses				
Salaries and benefits	5,456,609	-	-	5,456,609
Contractual services	1,660,411	-	-	1,660,411
Depreciation and amortization	952,980	-	3,047	956,027
Utilities	502,859	-	-	502,859
Food and food supplies	445,589	-	-	445,589
Building and field maintenance	171,850	-	-	171,850
Other supplies	174,121	27,244	-	201,365
Fiscal agent fee	117,333	-	-	117,333
Medical supplies	224,920	-	-	224,920
Furniture and equipment	83,321	-	-	83,321
Inmate betterment	-	-	46,179	46,179
Transportation	57,137	-	-	57,137
Insurance	191,908	-	-	191,908
Staff clothing	26,883	-	-	26,883
Inmate clothing	32,770	-	-	32,770
Staff development	23,370	-	-	23,370
Indigent expenses	-	-	10,012	10,012
Advertising	5,865	-	-	5,865
Software	10,988	-	-	10,988
Donations	6,365	-	-	6,365
Other	2,739	-	-	2,739
Total operating expenses	<u>10,148,018</u>	<u>27,244</u>	<u>59,238</u>	<u>10,234,500</u>
Operating income	<u>2,113,247</u>	<u>13,718</u>	<u>85,331</u>	<u>2,212,296</u>
Nonoperating revenues				
Interest expense	(30,869)	-	(65)	(30,934)
Investment income	11,091	-	-	11,091
Gain on disposal of capital assets	13,007	-	-	13,007
Net nonoperating revenues	<u>(6,771)</u>	<u>-</u>	<u>(65)</u>	<u>(6,836)</u>
Changes in net position	2,106,476	13,718	85,266	2,205,460
Net position, beginning of year	<u>\$ 21,561,066</u>	<u>115,544</u>	<u>162,485</u>	<u>21,839,095</u>
Net position, end of year	<u>\$ 23,667,542</u>	<u>\$ 129,262</u>	<u>\$ 247,751</u>	<u>\$ 24,044,555</u>

See independent auditor's report.

Statistical Section (Unaudited)

Virginia Peninsula Regional Jail Authority
Federal Revenue
Last 10 Fiscal Years

Table 1

<u>Year</u>	<u>Federal revenue</u>	<u>Average daily population</u>
2022	\$ 873	0.03
2021	51,243	0.05
2020	182,406	0.06
2019	1,346,611	0.58
2018	1,445,495	0.64
2017	1,467,200	0.64
2016	1,089,222	0.47
2015	618,257	0.60
2014	33,035	0.90
2013	32,283	0.80

Virginia Peninsula Regional Jail Authority
State Revenue
Last 10 Fiscal Years

Table 2

Year	State revenue	Percentage of operational expenses
2022	\$ 5,256,285	51.0%
2021	5,142,006	47.0%
2020	5,065,076	45.0%
2019	4,664,685	43.0%
2018	4,632,069	38.0%
2017	4,528,078	38.0%
2016	4,695,429	41.0%
2015	4,662,534	43.0%
2014	5,010,391	48.0%
2013	4,670,471	47.0%

Virginia Peninsula Regional Jail Authority

State Per Diems
Last 10 Fiscal Years

Table 3

<u>Year</u>	<u>State per diems</u>	<u>Local average daily population</u>
2022	\$ 795,566	356.0
2021	814,292	355.6
2020	806,620	411.0
2019	380,837	464.7
2018	349,608	498.4
2017	362,183	487.5
2016	521,954	437.6
2015	802,896	410.1
2014	1,058,923	432.4
2013	1,018,719	413.3

Virginia Peninsula Regional Jail Authority

Medical Costs

Last 10 Fiscal Years

Table 4

Year	Medical services and medical supply costs	Average cost per inmate
2022	\$ 1,323,775	\$ 3,718
2021	963,405	2,709
2020	1,029,618	2,505
2019	721,432	1,552
2018	1,121,049	2,249
2017	1,091,232	2,238
2016	1,073,147	2,452
2015	780,481	1,767
2014	901,335	2,050
2013	854,615	2,012

Virginia Peninsula Regional Jail Authority

Food Supplies
Last 10 Fiscal Years

Table 5

Year	Food and food supplies	Average daily cost per inmate
2022	\$ 445,589	\$ 3.43
2021	429,845	3.31
2020	439,652	3.04
2019	482,978	2.85
2018	511,538	2.81
2017	498,159	2.80
2016	530,172	3.31
2015	657,334	3.66
2014	671,507	3.58
2013	615,043	3.37

Compliance Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the aggregate remaining fund information of Virginia Peninsula Regional Jail Authority (the "Authority") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
December 1, 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 Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

- Cash and Investment Laws
- Conflicts of Interest Act
- Local Retirement Systems
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act