CRATER CRIMINAL JUSTICE TRAINING ACADEMY

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2020

C O N T E N T S

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Crater Criminal Justice Training Academy (the "Academy") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Report on the Financial Statements (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Crater Criminal Justice Training Academy, as of June 30, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Partial Comparative Information

We have previously audited the Academy's 2019 financial statements, and our report dated October 15, 2019 expressed an unmodified opinion on the financial statements of the Academy. In our opinion, the summarized partial comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which is has been derived.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 25, 2020

YEAR ENDED JUNE 30, 2020

The following discussion of the Crater Criminal Justice Training Academy's (the "Academy") financial performance provides an overview of the Academy's financial activities for the fiscal year ended June 30, 2020 and is required supplementary information. Please read it in conjunction with the Academy's financial statements, which follow this section.

Financial Highlights

Selected financial information for 2020 and 2019 is as follows:

	2020	2019
Total capital assets	$ 1,429,257	$ 1,475,148
Total assets	1,829,753	1,738,952
Total deferred outflows	44,194	37,308
Total long-term liabilities	510,000	620,000
Total liabilities	756,758	798,627
Total deferred inflows	2,000	2,000
Total operating revenues	1,150,438	1,099,920
Total non-operating revenues	23,447	873
Total operating expenses (to include depreciation)	1,017,215	1,025,372
Change in net position	139,556	38,424
Ending net position	1,115,189	975,633

- Capital assets decreased by $45,891 from fiscal year 2019 to 2020. This decrease is due to current year depreciation on assets of $58,841, net of $12,950 in purchases of capital assets (improvements to multi-purpose building) during Fiscal Year 2019-2020**.** The Academy did not dispose of any assets in FY2020.

- Total assets increased by $90,801. This increase is due in most part to an increase in operating income for 2020. Cash increased by $144,757, while accounts receivable and prepaid expenses decreased by $757 and $894, respectively.

- Operating revenues increased when compared with the prior year, due to increases in both contributions from member agencies and grant revenue from the Department of Criminal Justice Services and the Department of Forestry. The per capita based member rate increased 3% for the fiscal year, from $464 to $477.

- Operating expenses other than depreciation increased $20,658 during the fiscal year. This change was primarily due to additional costs for professional services and the write off of an uncollectible debt.

Overview of the Financial Statements

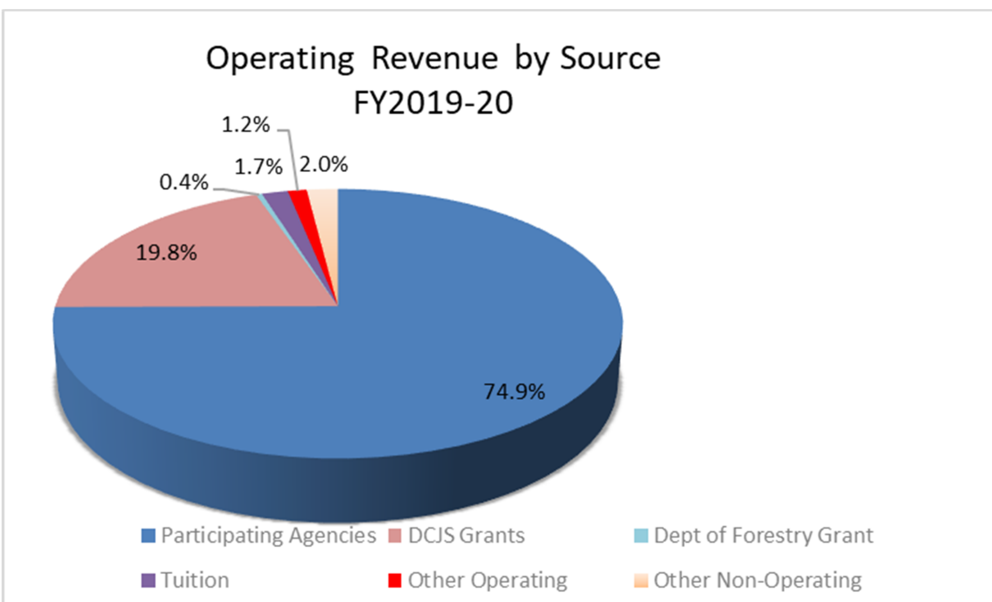
The Academy's financial report consists of two sections: the financial section and the compliance section. The financial section contains the Independent Auditors' Report on the Financial Statements, Management's Discussion and Analysis (this section), the basic financial statements (discussed below),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

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

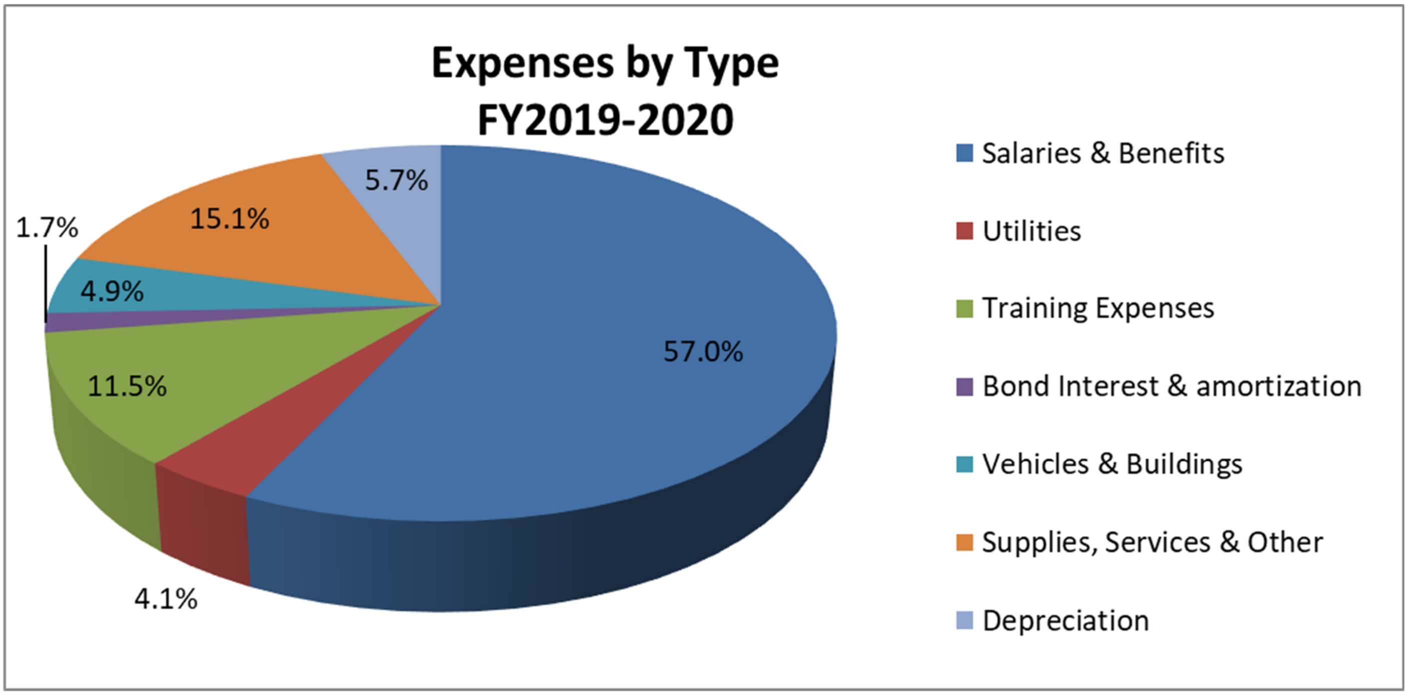
The financial statements of the Academy offer short and long-term financial information about its activities. The statements of net position provide information about the nature and amounts of the Academy's cash, receivables (assets), and its obligations to creditors (liabilities). All of the Academy's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

Financial Analysis

The Academy receives funding from thirty-seven member law-enforcement agencies and six contract law-enforcement agencies who receive training from the Academy. These agencies contribute a specific tuition amount based on a per person subject to training calculation, which for FY2019-2020 increased from $464 to $477. The Academy also receives state funding through the Department of Criminal Justice Services. A third source of revenue is private tuition received from students attending the Academy. A breakdown of the Academy's funding is as follows:



Approximately 57% of the Academy's expenses during fiscal year 2019-2020 were attributable to salaries and benefits for the Academy's seven full-time staff and part-time instructors. Training expenses were responsible for 11.5% of the Academy's expenses during the year, and depreciation and debt service costs represented 7.4% of the total Academy expenses. A chart illustrating the Academy's expenses is as follows:



Budgetary Highlights

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

Economic Factors and Next Year's Budget

- Economic conditions in the region in FY2020-2021 are expected to be challenging compared to FY2019-2020 due to the impacts of COVID-19, but most major sources of revenue to the Academy are projected to increase or remain stable in the coming fiscal year. Anticipated state funding will remain relatively stable for FY2020-21 but is expected to increase over time due to the addition of a regional jail as a member agency. The per capita membership amount increased by 7.0% to $510.86.

- The Academy's adopted 2020-2021 budget increased approximately 4.5% when compared with the FY2019-2020 adopted budget. This increase is primarily due to the increased member revenue and a focus on capital needs in FY2020-2021.

Contacting the Academy Management

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

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENTS OF NET POSITION
Years Ended June 30, 2020 and 2019

ASSETS	2020	(For Comparative Purposes Only) 2019
Unrestricted current assets:		
Cash	$ 366,716	$ 221,959
Accounts receivable	10,904	11,661
Prepaid expenses	5,532	6,426
Total unrestricted current assets	383,152	240,046
Noncurrent assets:		
Capital Assets, net	1,429,257	1,475,148
Net pension asset	17,344	23,758
Total noncurrent assets	1,446,601	1,498,906
Total assets	$ 1,829,753	$ 1,738,952
Deferred Outflows of Resources:		
Deferred outflow of resources - pension plan	$ 22,823	$ 15,775
Deferred outflow of resources - OPEB	21,371	21,533
Total deferred outflow of resources	44,194	37,308
Total assets and deferred outflow of resources	**$ 1,873,947**	**$ 1,776,260**
LIABILITIES AND NET POSITION		
Current liabilities:		
Unearned revenue	$ 69,477	$ 1,910
Accounts payable	6,932	11,134
Compensated absences & payroll liabilities	50,347	48,360
Interest payable	7,002	8,223
Bonds payable, current portion	113,000	109,000
Total current liabilities	246,758	178,627
Noncurrent liabilities:		
Bonds payable, less current portion	485,000	598,000
Net OPEB liability	25,000	22,000
Total noncurrent liabilities	510,000	620,000
Total liabilities	756,758	798,627
Deferred Inflows of Resources:		
Deferred inflow of resources - OPEB	2,000	2,000
Net position:		
Net investment in capital assets	831,257	768,148
Restricted for net pension asset	17,344	23,758
Unrestricted	266,588	183,727
Total net position	1,115,189	975,633
Total liabilities, deferred inflows of resources and net position	**$ 1,873,947**	**$ 1,776,260**

See Notes to Financial Statements.

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2020 and 2019

	2020	(For Comparative Purposes Only) 2019
Operating revenues:		
Local jurisdictions	$ 879,322	$ 841,843
Department of Criminal Justice Services	232,553	199,242
Department of Forestry	4,536	-
Tuition	19,800	34,346
Other	14,227	24,489
Total operating revenues	1,150,438	1,099,920
Personnel expenses:		
Salaries	462,670	488,862
Retirement and other benefits	127,844	130,548
Total Personnel Expenses	590,514	619,410
Operating expenses other than depreciation:		
Bad debts	6,102	-
Insurance	13,684	11,766
Professional services	68,752	57,915
Travel & Continuing Ed	4,959	10,995
Office Supplies & Postage	56,239	47,423
Miscellaneous	6,057	13,574
Training Expenses	118,685	113,724
Repairs, custodial, & maintenance	42,427	37,302
Utilities	42,403	42,599
Vehicle maintenance and repairs	8,552	11,904
Total operating expenses other than depreciation	367,860	347,202
Operating income before depreciation	192,064	133,308
Depreciation	(58,841)	(58,760)
Operating income	133,223	74,548
Nonoperating revenues (expenses):		
Other	22,992	(16,876)
Interest income	455	873
Bond amortization and interest expense	(17,114)	(20,121)
Total net nonoperating revenues (expenses)	6,333	(36,124)
Change in net position	139,556	38,424
Net position, beginning	975,633	937,209
Net position, ending	$ 1,115,189	$ 975,633

See Notes to Financial Statements.

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	(For Comparative Purposes Only) 2019
Cash flows from operating activities		
Cash receipts from local contributions	$ 947,646	$ 767,768
Cash receipts from Department of Criminal Justice, Special Fund	-	199,242
Cash receipts from Department of Criminal Justice, General Fund	232,553	-
Cash receipts from Department of Forestry, Grant Income	4,536	-
Cash receipts from tuition	19,800	34,346
Cash receipts from other operating income	14,227	24,489
Cash payments to employees for service	(585,999)	(635,768)
Cash payments for operating expenses	(371,168)	(354,863)
Net cash provided by operating activities	261,595	35,214
Cash flows from non-capital financing activities		
Proceeds from (payments for) other non-operating activities	22,992	(16,876)
Net cash provided (used) by non-capital financing activities	22,992	(16,876)
Cash flows from capital and related financing activities		
Purchases of capital assets	(12,950)	(9,393)
Payment of long-term debt	(109,000)	(105,000)
Interest paid	(18,335)	(21,342)
Net cash used in capital and related financing activities	(140,285)	(135,735)
Cash flows from investing activities		
Interest received	455	873
Net cash provided by investing activities	455	873
Net changes in cash	144,757	(116,524)
Cash, beginning	221,959	338,483
Cash, ending	$ 366,716	$ 221,959
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 133,223	$ 74,548
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	58,841	58,760
Decrease (increase) in deferred outflows due to pension plan	(7,048)	854
Increase (decrease) in deferred outflows due to OPEB	162	(13,106)
Increase (decrease) in deferred inflows due to pension plan	-	1,000
Changes in assets and liabilities:		
Accounts receivable	757	16,636
Prepaid expenses	894	559
Unearned revenue	67,567	(90,711)
Net pension asset	6,414	(14,310)
Accounts payable	(4,202)	(8,220)
Net OPEB liability	3,000	15,000
Compensated absences & payroll liabilities	1,987	(5,796)
Net cash provided by operating activities	$ 261,595	$ 35,214

See Notes to Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

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

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

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

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

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

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

The Academy maintains an allowance for uncollectible accounts. The allowance is based upon management's assessment of historical and expected net collections. Accounts written off as uncollectible are deducted from the allowance and recoveries are added. At June 30, 2020 and 2019, all accounts have been deemed collectible by management.

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

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

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

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Under the accrual basis of accounting, certain items related to the measurement of the net pension and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the OPEB note.

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

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

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

Other Postemployment Benefits (OPEB):

Group Life Insurance

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

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

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

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

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

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

Note 2. Cash

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

Note 3. Capital Assets

Capital assets owned by the Academy at June 30, 2020 consist of the following:

	Balance 1-Jul-19	Increases	Decreases	Balance 30-Jun-20
Capital assets not being depreciated:				
Land	$ 297,399	$ -	$ -	$ 297,399
Total capital assets not being depreciated	297,399	-	-	297,399
Other capital assets being depreciated:				
Building	1,836,200	12,950	-	1,849,150
Equipment	142,694	-	-	142,694
Vehicles	1,599	-	-	1,599
Total other capital assets being depreciated	1,980,493	12,950	-	1,993,443
Less, accumulated depreciation for:				
Building	680,753	53,910	-	734,663
Equipment	120,392	4,931	-	125,323
Vehicles	1,599	-	-	1,599
Total accumulated depreciation	802,744	58,841	-	861,585
Capital assets being depreciated, net	1,177,749	(45,891)	-	1,131,858
	$ 1,475,148	$ (45,891)	$ -	$ 1,429,257

Note 3. Capital Assets (Continued)

Capital assets owned by the Academy at June 30, 2019 consist of the following:

	Balance 1-Jul-18	Increases	Decreases	Balance 30-Jun-19
Capital assets not being depreciated:				
Land	$ 297,399	$ -	$ -	$ 297,399
Total capital assets not being depreciated	297,399	-	-	297,399
Other capital assets being depreciated:				
Building	1,826,807	9,393	-	1,836,200
Equipment	142,694	-	-	142,694
Vehicles	1,599	-	-	1,599
Total other capital assets being depreciated	1,971,100	9,393	-	1,980,493
Less, accumulated depreciation for:				
Building	627,072	53,681	-	680,753
Equipment	115,313	5,079	-	120,392
Vehicles	1,599	-	-	1,599
Total accumulated depreciation	743,984	58,760	-	802,744
Capital assets being depreciated,	1,227,116	(49,367)	-	1,177,749
net	$1,524,515	$(49,367)	$ -	$ 1,475,148

Note 4. Compensated Absences

The Academy's employees are granted annual leave in varying amounts as services are provided. Employees may accumulate, subject to certain vesting limitations, unused vacation pay. Sick time is also allowed to accumulate; however, it does not vest. Compensated absences balances amounted to $26,460 and $19,468 for June 30, 2020 and 2019, respectively. All compensated absences are considered current.

Note 5. Bonds Payable

Description	Original Amount	2020	2019
Series 2015 Revenue Refunding Bonds: $1,125,000 due in annual installments ranging from $103,000 to $126,000, through 2024, bearing interest at a rate of 2.81% . The revenues for debt service payments of the Academy are pledged to pay the principal and interest of the bonds. The proceeds refunded the remainder of the Academy's 2004C series bonds.	$ 1,125,000	$ 598,000	$ 707,000
Bonds payable, current		$ 113,000	$ 109,000
Bonds payable, noncurrent		485,000	598,000
		$ 598,000	$ 707,000

Activity in the bonds payable for fiscal year 2020 was as follows:

Description	Balance at 30-Jun-19	Issued	Retired	Balance at 30-Jun-20	Amount Due Within One Year
Total bonds outstanding	**$ 707,000**	**$ -**	**$ (109,000)**	**$ 598,000**	**$ 113,000**

Activity in the bonds payable and related accounts for fiscal year 2019 was as follows:

Description	Balance at 30-Jun-18	Issued	Retired	Balance at 30-Jun-19	Amount Due Within One Year
Total bonds outstanding	**$ 812,000**	**$ -**	**$ (105,000)**	**$ 707,000**	**$ 109,000**

Note 5. Bonds Payable (Continued):

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

June 30,	Principal	Interest	Total
2021	$ 113,000	$ 15,216	$ 128,216
2022	116,000	11,999	127,999
2023	120,000	8,683	128,683
2024	123,000	5,269	128,269
2025	126,000	1,770	127,770
	$ 598,000	$ 42,937	$ 640,937

Note 6. Retirement Plans

Defined Benefit Pension Plan:

Plan Description

The Academy joined the Virginia Retirement System in January, 2017. All full-time, salaried permanent employees of the Academy are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 (Cont.)	**About Plan 2 (Cont.)**	**About the Hybrid Retirement Plan (Cont.)** • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

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

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

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

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

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

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **<u>Defined Contributions Component:</u>** **(Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

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

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

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

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)
<u>Exceptions to COLA Effective Dates:</u>
The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
The member retires on disability.
The member retires directly from short-term or long- term disability under the Virginia Sickness and Disability Program (VSDP).
The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</td><td>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)
<u>Exceptions to COLA Effective Dates:</u>
Same as Plan 1</td><td>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)
<u>Exceptions to COLA Effective Dates:</u>
Same as Plan 1 and Plan 2.</td></tr>
</table>

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Plan Description (Continued):

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work- related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service <u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **<u>Defined Contribution Component:</u>** Not applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at https://www.varetire.org/Pdf/Publications/2019-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Employees Covered by Benefit Terms

The Academy joined VRS on January 1, 2017. As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

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

Contributions

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

The Academy's contractually required contribution rate for the year ended June 30, 2020 was 5.99% of covered employee compensation, not including the employee contribution. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Academy were $13,621 and $15,401 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Actuarial Assumptions

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

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

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

Mortality rates:

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

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

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

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 3 years 110% of rates; females 125% of rates.

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Actuarial Assumptions (Continued)

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

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

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

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Largest 10 – Non-Hazardous Duty:

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

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Actuarial Assumptions (Continued)

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

Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

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

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

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

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Actuarial Assumptions (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates:

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

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

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

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

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

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

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

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

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Actuarial Assumptions (Continued)

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

Largest 10 – Hazardous Duty:

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

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

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

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Long-Term Expected Rate of Return

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

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

** The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.*

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

Discount Rate

The discount rate used to measure the total pension asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability. 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 (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) – (b)**
Balances at June 30, 2018	$ 18,609	$ 42,367	$ (23,758)
Changes for the year:			
Service cost	26,646	-	26,646
Interest	1,303	-	1,303
Changes in benefit terms	-	-	-
Changes of assumptions	2,215	-	2,215
Differences between expected and actual experience	8,439	-	8,439
Contributions – employer	-	15,401	(15,401)
Contributions – employee	-	12,605	(12,605)
Net investment income	-	4,193	(4,193)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expenses	-	(7)	7
Other changes	-	(3)	3
Net changes	38,603	32,189	6,414
Balances at June 30, 2019	$ 57,212	$ 74,556	$ (17,344)

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability (asset)	$ (7,645)	$ (17,344)	$ (25,050)

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

For the year ended June 30, 2020, the political subdivision recognized pension expense of $12,987. At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,235	$ -
Change in assumptions	1,899	-
Net difference between projected and actual earnings on pension plan investments	68	-
Employer contributions subsequent to the measurement date	13,621	-
Total	$ 22,823	$ -

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued):

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

The $13,621 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2021	$ 1,579
2022	1,578
2023	1,522
2024	1,469
2025	1,520
Thereafter	1,534

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Defined Contribution Plan

The Academy maintains a 403(b) Custodial Account Plan, administered by American Funds. Under this defined contribution plan, the Academy contributes 8% of the gross wages of certain full-time employees who are not participating in the Virginia Retirement Plan. Prior to joining VRS in January, 2017, the Academy contributed 8% of the gross wages for all full-time employees. The Academy's contributions for 2020 and 2019 were $9,762 and $9,040, respectively. For 2020 and 2019, employees may contribute up to $19,500 and $19,000, respectively ($26,000 and $25,000, respectively, if age 50 or over) annually.

Note 7. Group Life Insurance (GLI) Program (OPEB PLAN)

Plan Description

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

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

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Note 7. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Plan Description (Continued):

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit. • **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option

Note 7. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Plan Description (Continued):

Reduction in benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were $1,371 and $1,533 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the Academy reported a liability of $ 25,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.00151 % as compared to 0.00144 % at June 30, 2018.

Note 7. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

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

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of $5,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$2,000	-
Net difference between projected and actual earnings on GLI OPEB program investments	-	$1,000
Change in assumptions	$2,000	$1,000
Changes in proportion	$16,000	-
Employer contributions subsequent to the measurement date	$1,371	-
Total	$21,371	$2,000

$1,371 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Note 7. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

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

Year ended June 30	Increase to OPEB Expense
FY 2021	$ 4,027
FY 2022	$ 4,027
FY 2023	$ 4,241
FY 2024	$ 3,696
FY 2025	$ 1,601
Thereafter	$ 408

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 Percent, net of investment expenses, including inflation*
Healthcare cost trend rates:	
• Under age 65	7.25 - 4.75%
• Ages 65 and older	5.50 - 4.75%

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

Note 7. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Actuarial Assumptions (Continued):

Mortality rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Note 7. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Actuarial Assumptions (Continued):

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

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

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

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

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 7. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Actuarial Assumptions (Continued):

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Note 7. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Actuarial Assumptions (Continued):

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

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

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

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Note 7. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Net GLI OPEB Liability

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

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

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

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Note 7. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Net GLI OPEB Liability (Continued):

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long- term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation..

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 7. Group Life Insurance (GLI) Program (OPEB PLAN) (Continued):

Net GLI OPEB Liability (Continued):

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

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

	1.00% Decrease (5.75%)	**Current Discount Rate (6.75%)**	**1.00% Increase (7.75%)**
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 32,280	$ 25,000	$ 18,320

Group Life Insurance Program Fiduciary Net Position

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

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Note 8. Lease Commitments

The Academy leases a copier under a noncancellable lease agreement. Copier lease expense was $11,818 and $11,756 for the years ended June 30, 2020 and 2019, respectively.

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

2021	$	9,360
2022	$	9,360

Note 9. COVID-19

The Academy's operations were impacted by COVID-19. In response to the Governor of Virginia's *State of Emergency*, issued on March 12, 2020, two graduations and certain classes were postponed. The building was closed for approximately three months, with employees working from home. Controls operated as normal despite staggered employee on-site/remote work. The Academy applied for and received $24,119 in Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding from the Virginia Department of Criminal Justice Services, which will be received in FY2020-21.

Note 10. New Accounting Standards

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

- GASB Statement No. 87, *Leases,* improves 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 or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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. This Statement will be effective for the year ending June 30, 2022.

- GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement will be effective for the year ending June 30, 2022.

Note 10. New Accounting Standards (Continued)

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement will be effective for the year ending June 30, 2023.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Crater Criminal Justice Training Academy

Required Supplementary Information

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2020

	Primary Government Plan Year		
	2019	**2018**	**2017**
Total Pension Liability			
Service cost	$ 26,646	$ 18,609	$ -
Interest on total pension liability	1,303	-	-
Changes in benefit terms	-	-	-
Difference between expected and actual experience	8,439	-	-
Changes in assumptions	2,215	-	-
Benefit payments	-	-	-
Net change in total pension liability	38,603	18,609	-
Total pension liability - beginning	18,609	-	-
Total pension liability - ending	57,212	18,609	-
Plan Fiduciary Net Position			
Contributions - employer	15,401	18,268	5,431
Contributions - employee	12,605	13,136	3,962
Net investment income	4,193	1,505	45
Benefit payments	-	-	-
Administrator charges	(7)	13	11
Other	(3)	(3)	(1)
Net change in plan fiduciary net position	32,189	32,919	9,448
Plan fiduciary net position - beginning	42,367	9,448	-
Plan fiduciary net position - ending	74,556	42,367	9,448
Net pension liability (asset) - ending	$ (17,344)	$ (23,758)	$ (9,448)
Plan fiduciary net position as a percentage of total pension liability	130%	228%	0%
Covered payroll	$ 294,884	$ 273,924	$ 121,374
Net pension liability (asset) as a percentage of covered payroll	-6%	-9%	-8%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

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

Crater Criminal Justice Training Academy

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2020

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2020	$ 13,621	$ 13,621	$ -	$ 263,515	5.17%
2019	17,664	17,664	-	294,884	5.99%
2018	16,402	16,402	-	273,924	5.99%
2017	5,431	5,431	-	121,374	4.47%

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

The Notes to Required Supplementary Information are an integral part of this statement.

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2020

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Group Life Insurance - General Employees					
2020	0.04247%	$ 25,000	$ 263,515	9.49%	0.00%
2019	0.00144%	22,000	294,884	7.46%	0.00%
2018	0.00480%	7,000	273,924	2.56%	0.00%

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

The Notes to Required Supplementary Information are an integral part of this statement.

Crater Criminal Justice Training Academy

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2020

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Group Life Insurance - General Employees					
2020	$ 1,371	$ 1,371	$ -	$ 263,515	0.52%
2019	1,533	1,533	-	294,884	0.52%
2018	1,427	1,427	-	273,924	0.52%
2017	458	458	-	121,374	0.38%

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

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

Note 1. Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:
- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:
- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 60% to 70%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and LODA OPEB

(Continued)

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and LODA OPEB

Teacher cost-sharing pool

- Update mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each year age and service through 9 years of service
- Update disability rates to better fit experience
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Crater Criminal Justice Training Academy

Supplementary Information

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local jurisdictions	$ 879,305	$ 879,322	$ 17
Department of Criminal Justice Services	230,862	232,553	1,691
Department of Forestry	-	4,536	4,536
Tuition	21,902	19,800	(2,102)
Other	12,500	14,227	1,727
Total revenues	**1,144,569**	**1,150,438**	**5,869**
Personnel expenses:			
Salaries	496,547	462,670	33,877
Retirement and other benefits	147,941	127,844	20,097
Total personnel expenses	**644,488**	**590,514**	**53,974**
Operating expenses other than depreciation:			
Bad debts	6,102	6,102	-
Insurance	13,000	13,684	(684)
Professional services	49,150	68,752	(19,602)
Travel & Continuing Ed	14,000	4,959	9,041
Office Supplies & Postage	43,551	56,239	(12,688)
Miscellaneous	10,500	6,057	4,443
Training Expenses	121,991	118,685	3,306
Repairs, custodial, & maintenance	51,811	42,427	9,384
Utilities	43,000	42,403	597
Vehicle maintenance and repairs	8,000	8,552	(552)
Depreciation	127,335	58,841	68,494
Total expenses	**1,132,928**	**1,017,215**	**115,713**
Excess of operating revenues over expenses	11,641	133,223	121,582
Nonoperating revenues (expenses):	**(11,641)**	**6,333**	**17,974**
Excess of revenues over expenses	**$ -**	**$ 139,556**	**$ 139,556**

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Crater Criminal Justice Training Academy

Compliance Report

BROWNEDWARDS
certified public accountants

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Crater Criminal Justice Training Academy (the "Academy"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated November 25, 2020.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 25, 2020

CRATER CRIMINAL JUSTICE TRAINING ACADEMY
SUMMARY OF COMPLIANCE MATTERS
June 30, 2020

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

STATE COMPLIANCE MATTERS

Code of Virginia:

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