

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2021, 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.

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, 2021, 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 2020 financial statements, and our report dated November 25, 2020 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, 2020, is consistent, in all material respects, with the audited financial statements from which it 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 24, 2021 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 24, 2021

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

YEAR ENDED JUNE 30, 2021

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, 2021 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 2021 and 2020 is as follows:

	2021	2020
Total capital assets	\$ 1,383,334	\$ 1,429,257
Total assets	1,837,429	1,829,753
Total deferred outflows	36,894	44,194
Total long-term liabilities	390,361	510,000
Total liabilities	642,574	756,758
Total deferred inflows	10,625	2,000
Total operating revenues	1,159,087	1,150,438
Total non-operating revenues	7,020	23,447
Total operating expenses (to include depreciation)	1,046,156	1,017,215
Change in net position	105,935	139,556
Ending net position	1,221,124	1,115,189

- Capital assets decreased by \$45,923 from fiscal year 2020 to 2021. This decrease is due to current year depreciation on assets of \$55,123, net of \$9,200 in purchases of capital assets (improvements to multi-purpose building) during Fiscal Year 2020-2021. The Academy did not dispose of any assets in FY2021.
- Total assets increased by \$7,676. This increase is due in most part to an increase in net pension asset for 2021. Cash increased by \$38,614, while accounts receivable increased by \$6,340 and prepaid expenses decreased by \$1,952.
- Operating revenues increased when compared with the prior year, due to increases in contributions from member agencies and tuition income, partially offset by a decrease in grant revenue from the Department of Criminal Justice Services and the Department of Forestry. The per capita based member rate increased 7% for the fiscal year, from \$477.44 to \$510.46.
- Operating expenses other than depreciation increased \$7,532 during the fiscal year. This change was primarily due to additional costs for office supplies and training expenses, as well as increased custodial costs due to COVID-19.

Overview of the Financial Statements

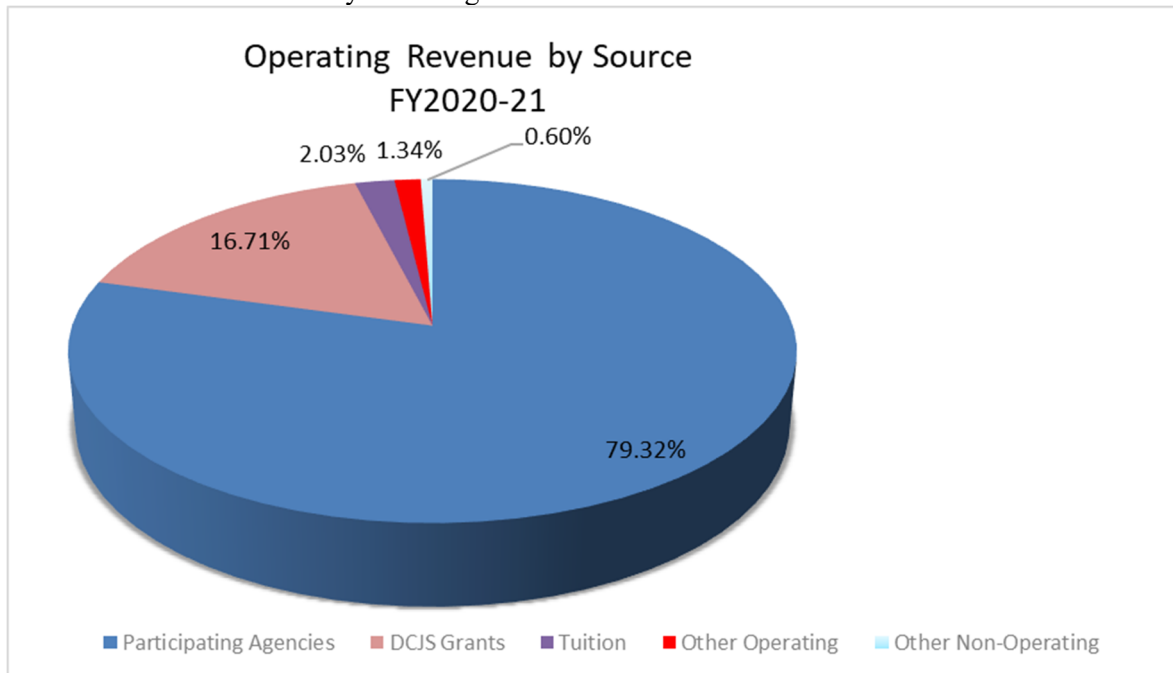
The Academy's financial report consists of two sections: the financial section and the compliance section. The financial section contains the Independent Auditors' Report on the Financial Statements, Management's Discussion and Analysis (this section), the basic financial statements (discussed below),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

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

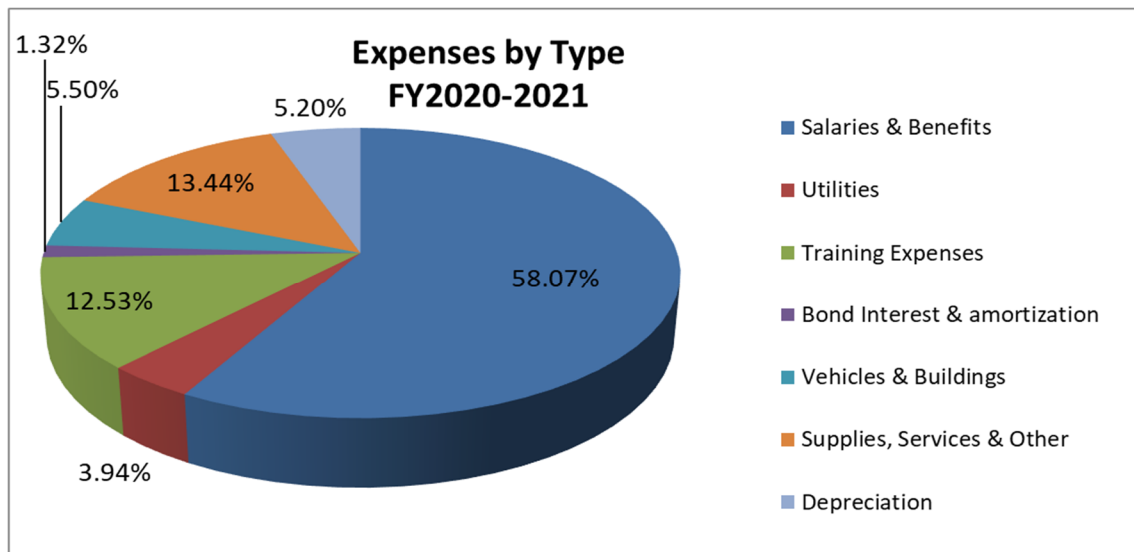
The financial statements of the Academy offer short and long-term financial information about its activities. The statements of net position provide information about the nature and amounts of the Academy's cash, receivables (assets), and its obligations to creditors (liabilities). All of the Academy's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

Financial Analysis

The Academy receives funding from thirty-six 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 FY2020-2021 increased from \$477.44 to \$510.46. 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 58% of the Academy's expenses during fiscal year 2020-2021 were attributable to salaries and benefits for the Academy's seven full-time staff and part-time instructors. Training expenses were responsible for 12.5% of the Academy's expenses during the year, and depreciation and debt service costs represented 6.5% of the total Academy expenses. A chart illustrating the Academy's expenses is as follows:



Budgetary Highlights

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

Economic Factors and Next Year's Budget

- Economic conditions in the region in FY2021-2022 are expected to be challenging compared to FY2020-2021 due to inflationary pressure and supply shortages, but most major sources of revenue to the Academy are projected to increase or remain stable in the coming fiscal year. Anticipated state funding will increase over time due to the addition of member agencies. The per capita membership amount increased by 3.0% to \$526.19 for FY2021-2022.
- The Academy's adopted 2021-2022 budget increased approximately 1.7% when compared with the FY2020-2021 adopted budget. This increase is primarily due to the increased member revenue and a continued focus on capital needs and training in FY2021-2022.

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, 2021 and 2020

(For Comparative
Purposes Only)

ASSETS	2021	2020
Unrestricted current assets:		
Cash	\$ 405,330	\$ 366,716
Accounts receivable	17,244	10,904
Prepaid expenses	3,580	5,532
Total unrestricted current assets	426,154	383,152
Noncurrent assets:		
Capital assets, net	1,383,334	1,429,257
Net pension asset	27,941	17,344
Total noncurrent assets	1,411,275	1,446,601
Total assets	\$ 1,837,429	\$ 1,829,753
Deferred Outflows of Resources:		
Deferred outflow of resources - pension plan	\$ 20,001	\$ 22,823
Deferred outflow of resources - OPEB	16,893	21,371
Total deferred outflow of resources	36,894	44,194
Total assets and deferred outflow of resources	\$ 1,874,323	\$ 1,873,947
LIABILITIES AND NET POSITION		
Current liabilities:		
Unearned revenue	\$ 64,879	\$ 69,477
Accounts payable	13,103	6,932
Compensated absences & payroll liabilities	52,590	50,347
Interest payable	5,641	7,002
Bonds payable, current portion	116,000	113,000
Total current liabilities	252,213	246,758
Noncurrent liabilities:		
Bonds payable, less current portion	369,000	485,000
Net OPEB liability	21,361	25,000
Total noncurrent liabilities	390,361	510,000
Total liabilities	642,574	756,758
Deferred Inflows of Resources:		
Deferred inflow of resources - pension plan	7,053	-
Deferred inflow of resources - OPEB	3,572	2,000
Total deferred inflow of resources	10,625	2,000
Net position:		
Net investment in capital assets	898,334	831,257
Restricted for net pension asset	27,941	17,344
Unrestricted	294,849	266,588
Total net position	1,221,124	1,115,189
Total liabilities, deferred inflows of resources and net position	\$ 1,874,323	\$ 1,873,947

See Notes to Financial Statements.

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30, 2021 and 2020

(For Comparative
Purposes Only)

	2021	2020
Operating revenues:		
Local jurisdictions	\$ 924,944	\$ 879,322
Department of Criminal Justice Services	194,873	232,553
Department of Forestry	-	4,536
Tuition	23,675	19,800
Other	15,595	14,227
Total operating revenues	1,159,087	1,150,438
Personnel expenses:		
Salaries	499,299	462,670
Retirement and other benefits	116,342	127,844
Total personnel expenses	615,641	590,514
Operating expenses other than depreciation:		
Bad debts	-	6,102
Insurance	13,830	13,684
Professional services	44,125	68,752
Travel & continuing education	4,882	4,959
Office supplies & postage	72,215	56,239
Miscellaneous	7,471	6,057
Training expenses	132,787	118,685
Repairs, custodial, & maintenance	51,357	42,427
Utilities	41,730	42,403
Vehicle maintenance and repairs	6,995	8,552
Total operating expenses other than depreciation	375,392	367,860
Operating income before depreciation	168,054	192,064
Depreciation	(55,123)	(58,841)
Operating income	112,931	133,223
Nonoperating revenues (expenses):		
Other	6,352	22,992
Interest income	668	455
Bond amortization and interest expense	(14,016)	(17,114)
Total net nonoperating revenues (expenses)	(6,996)	6,333
Change in net position	105,935	139,556
Net position, beginning	1,115,189	975,633
Net position, ending	\$ 1,221,124	\$ 1,115,189

See Notes to Financial Statements.

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

(For Comparative
Purposes Only)

	2021	2020
Cash flows from operating activities		
Cash receipts from local contributions	\$ 914,006	\$ 947,646
Cash receipts from Department of Criminal Justice Services	194,873	232,553
Cash receipts from Department of Forestry, Grant Income	-	4,536
Cash receipts from tuition	23,675	19,800
Cash receipts from other operating income	15,595	14,227
Cash payments to employees for service	(611,709)	(585,999)
Cash payments for operating expenses	(367,269)	(371,168)
Net cash provided by operating activities	169,171	261,595
Cash flows from non-capital financing activities		
Proceeds from other non-operating activities	6,352	22,992
Net cash provided by non-capital financing activities	6,352	22,992
Cash flows from capital and related financing activities		
Purchases of capital assets	(9,200)	(12,950)
Payment of long-term debt	(113,000)	(109,000)
Interest paid	(15,377)	(18,335)
Net cash used in capital and related financing activities	(137,577)	(140,285)
Cash flows from investing activities		
Interest received	668	455
Net cash provided by investing activities	668	455
Net changes in cash	38,614	144,757
Cash, beginning	366,716	221,959
Cash, ending	\$ 405,330	\$ 366,716
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 112,931	\$ 133,223
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	55,123	58,841
Decrease (increase) in deferred outflows due to pension plan	2,822	(7,048)
Increase (decrease) in deferred outflows due to OPEB	4,478	162
Increase (decrease) in deferred inflows due to pension plan	7,053	-
Increase (decrease) in deferred inflows due to OPEB	1,572	-
Changes in assets and liabilities:		
Accounts receivable	(6,340)	757
Prepaid expenses	1,952	894
Unearned revenue	(4,598)	67,567
Net pension asset	(10,597)	6,414
Accounts payable	6,171	(4,202)
Net OPEB liability	(3,639)	3,000
Compensated absences & payroll liabilities	2,243	1,987
Net cash provided by operating activities	\$ 169,171	\$ 261,595

See Notes to Financial Statements.

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

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

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

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

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

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

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

The Academy maintains an allowance for uncollectible accounts. The allowance is based upon management’s assessment of historical and expected net collections. Accounts written off as uncollectible are deducted from the allowance and recoveries are added. At June 30, 2021 and 2020, all accounts have been deemed collectible by management.

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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 asset and the net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB measurement date. For more detailed information, reference the pension and OPEB notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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 asset and the net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the OPEB note.

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

Pensions: For purposes of measuring the net pension 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.

NOTES TO FINANCIAL STATEMENTS

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

Other Postemployment Benefits (OPEB)

Group Life Insurance

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash

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

Note 3. Capital Assets

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

	Balance 1-Jul-20	Increases	Decreases	Balance 30-Jun-21
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	1,849,150	9,200	-	1,858,350
Equipment	142,694	-	-	142,694
Vehicles	1,599	-	-	1,599
Total other capital assets being depreciated	1,993,443	9,200	-	2,002,643
Less, accumulated depreciation for:				
Building	734,663	51,814	-	786,477
Equipment	125,323	3,309	-	128,632
Vehicles	1,599	-	-	1,599
Total accumulated depreciation	861,585	55,123	-	916,708
Capital assets being depreciated, net	1,131,858	(45,923)	-	1,085,935
	\$ 1,429,257	\$ (45,923)	\$ -	\$ 1,383,334

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets (Continued)

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,	1,177,749	(45,891)	-	1,131,858
net	\$ 1,475,148	\$ (45,891)	\$ -	\$ 1,429,257

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 \$21,806 and \$26,460 for June 30, 2021 and 2020, respectively. All compensated absences are considered current.

NOTES TO FINANCIAL STATEMENTS

Note 5. Bonds Payable

Description	Original Amount	2021	2020
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	\$ 485,000	\$ 598,000
Bonds payable, current		\$ 116,000	\$ 113,000
Bonds payable, noncurrent		369,000	485,000
		<u>\$ 485,000</u>	<u>\$ 598,000</u>

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

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

Activity in the bonds payable and related accounts 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	<u>\$ 707,000</u>	<u>\$ -</u>	<u>\$ (109,000)</u>	<u>\$ 598,000</u>	<u>\$ 113,000</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Bonds Payable (Continued)

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

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 485,000</u>	<u>\$ 27,721</u>	<u>\$ 512,721</u>

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:

NOTES TO FINANCIAL STATEMENTS

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

Note 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.

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS

Note 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. <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. 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

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
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.

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
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. <u>Defined Contribution Component:</u> 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%. <u>Eligibility:</u> 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%. <u>Eligibility:</u> Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.

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

NOTES TO FINANCIAL STATEMENTS

Note 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: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

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/2020-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS

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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>0</u>
Inactive members:	
Vested inactive members	0
Non-vested inactive members	2
Inactive members active elsewhere in VRS	<u>1</u>
Total inactive members	<u>3</u>
Active members	<u>5</u>
Total covered employees	<u><u>8</u></u>

Contributions

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

The Academy's contractually required contribution rate for the year ended June 30, 2021 was 3.84% of covered employee compensation, not including the employee contribution. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Academy were \$11,251 and \$15,785 for the years ended June 30, 2021 and June 30, 2020, 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, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

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, 2019, 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, 2020.

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, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

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

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, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2019, 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%

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%

NOTES TO FINANCIAL STATEMENTS

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020:

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.

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

Post-Disablement:

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

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

Pre-Retirement:

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement, healthy, and disabled)	Update to 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%

NOTES TO FINANCIAL STATEMENTS

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 %	4.65 %	1.58 %
Fixed Income	15.00 %	0.46 %	0.07 %
Credit Strategies	14.00 %	5.38 %	0.75 %
Real Assets	14.00 %	5.01 %	0.70 %
Private Equity	14.00 %	8.34 %	1.17 %
MAPS - Multi -Asset Public Strategies	6.00 %	3.04 %	0.18 %
PIP- Private Investment Partnership	3.00 %	6.49 %	0.19 %
Total	100.00 %		4.64 %
	Inflation		2.50 %
	Expected arithmetic nominal return *		<u><u>7.14 %</u></u>

* The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%

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, 2020, 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, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

Note 6. Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

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, 2019	\$ 57,212	\$ 74,556	\$ (17,344)
Changes for the year:			
Service cost	20,754	-	20,754
Interest	3,708	-	3,708
Differences between expected and actual experience	(8,554)	-	(8,554)
Contributions – employer	-	13,621	(13,621)
Contributions – employee	-	11,445	(11,445)
Net investment income	-	1,472	(1,472)
Benefit payments, including refunds of employee contributions	(4,552)	(4,552)	-
Administrative expenses	-	(31)	31
Other changes	-	(2)	2
Net changes	11,356	21,953	(10,597)
Balances at June 30, 2020	\$ 68,568	\$ 96,509	\$ (27,941)

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)	\$ (14,824)	\$ (27,941)	\$ (38,204)

NOTES TO FINANCIAL STATEMENTS

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

For the year ended June 30, 2021, the political subdivision recognized pension expense of \$8,254. At June 30, 2021, 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	\$ 6,031	\$ 7,053
Change in assumptions	1,583	-
Net difference between projected and actual earnings on pension plan investments	3,411	-
Employer contributions subsequent to the measurement date	<u>8,976</u>	<u>-</u>
Total	<u><u>\$ 20,001</u></u>	<u><u>\$ 7,053</u></u>

NOTES TO FINANCIAL STATEMENTS

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 \$8,976 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2022	\$ 927
2023	871
2024	818
2025	871
2026	471
Thereafter	14

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Defined Contribution Plan

The Academy maintains a 403(b) Custodial Account Plan, administered by American Funds. Under this defined contribution plan, the Academy contributes 8% of the gross wages of one full-time employee who is not participating in the Virginia Retirement Plan. Prior to joining VRS in January, 2017, the Academy contributed 8% of the gross wages for all full-time employees. The Academy's contributions for 2021 and 2020 were \$5,095 and \$6,063, respectively. For 2021 and 2020, employees may contribute up to \$19,500 (\$26,000 if age 50 or over) annually.

NOTES TO FINANCIAL STATEMENTS

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 OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

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NOTES TO FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

Note 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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$1,582 and \$1,370 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the Academy reported a liability of \$ 21,361 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020, 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, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.00128% as compared to 0.00151% at June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

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, 2021, the participating employer recognized GLI OPEB expense of \$4,215. 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, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,370	\$ 191
Net difference between projected and actual earnings on GLI OPEB program investments	642	-
Change in assumptions	1,068	446
Changes in proportion	12,231	2,935
Employer contributions subsequent to the measurement date	1,582	-
Total	\$ 16,893	\$ 3,572

\$ 1,582 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:

NOTES TO FINANCIAL STATEMENTS

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

	<u>Increase (Reduction) to OPEB Expense</u>
FY 2021	\$ 3,722
FY 2022	\$ 3,903
FY 2023	\$ 3,329
FY 2024	\$ 1,232
FY 2025	\$ (330)
Thereafter	\$ (117)

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, 2020.

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.

NOTES TO FINANCIAL STATEMENTS

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

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%

NOTES TO FINANCIAL STATEMENTS

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

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.

NOTES TO FINANCIAL STATEMENTS

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

Actuarial Assumptions (Continued)

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

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

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%

NOTES TO FINANCIAL STATEMENTS

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

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%

NOTES TO FINANCIAL STATEMENTS

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 the measurement date of June 30, 2020, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	<u>1,855,102</u>
Employers’ Net GLI OPEB Liability (Asset)	<u>\$ 1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

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

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NOTES TO FINANCIAL STATEMENTS

Note 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 %	4.65 %	1.58 %
Fixed Income	15.00 %	0.46 %	0.07 %
Credit Strategies	14.00 %	5.38 %	0.75 %
Real Assets	14.00 %	5.01 %	0.70 %
Private Equity	14.00 %	8.34 %	1.17 %
MAPS - Multi -Asset Public Strategies	6.00 %	3.04 %	0.18 %
PIP- Private Investment Partnership	3.00 %	6.49 %	0.19 %
Total	100.00 %		4.64 %
	Inflation		2.50 %
	Expected arithmetic nominal return *		<u><u>7.14 %</u></u>

* The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

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, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board- certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTES TO FINANCIAL STATEMENTS

Note 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	\$ 28,081	\$21,361	\$ 15,904

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 2020 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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NOTES TO FINANCIAL STATEMENTS

Note 8. Lease Commitments

The Academy leases a copier under a noncancellable lease agreement. Copier lease expense was \$11,476 and \$11,818 for the years ended June 30, 2021 and 2020, respectively.

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

2022	\$	8,872
2023	\$	8,872
2024	\$	8,872
2025	\$	8,872

Note 9. COVID-19

The Academy's operations were impacted by COVID-19. In response to both the Governor of Virginia's State of Emergency, initially issued on March 12, 2020, and its subsequent revisions, 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. Since then, Basic Training courses have returned to a mostly normal schedule. In-Service training continues to operate at reduced capacity. The building has been professionally cleaned and decontaminated on several occasions, and the HVAC system is cleaned quarterly. 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 is reflected in the FY2020-21 Financial Statements.

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.

NOTES TO FINANCIAL STATEMENTS

Note 9. 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.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement’s introduction of the new term is founded on a commitment to promoting inclusiveness. This Statement will be effective for the year ending June 30, 2023.

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Crater Criminal Justice Training Academy

Required Supplementary Information

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
June 30, 2021

	Primary Government			
	Plan Year			
	2020	2019	2018	2017
Total Pension Liability				
Service cost	\$ 20,754	\$ 26,646	\$ 18,609	\$ -
Interest on total pension liability	3,708	1,303	-	-
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(8,554)	8,439	-	-
Changes in assumptions	-	2,215	-	-
Benefit payments	(4,552)	-	-	-
Net change in total pension liability	11,356	38,603	18,609	-
Total pension liability - beginning	57,212	18,609	-	-
Total pension liability - ending	68,568	57,212	18,609	-
Plan Fiduciary Net Position				
Contributions - employer	13,621	15,401	18,268	5,431
Contributions - employee	11,445	12,605	13,136	3,962
Net investment income	1,472	4,193	1,505	45
Benefit payments	(4,552)	-	-	-
Administrator charges	(31)	(7)	13	11
Other	(2)	(3)	(3)	(1)
Net change in plan fiduciary net position	21,953	32,189	32,919	9,448
Plan fiduciary net position - beginning	74,556	42,367	9,448	-
Plan fiduciary net position - ending	96,509	74,556	42,367	9,448
Net pension liability (asset) - ending	\$ (27,941)	\$ (17,344)	\$ (23,758)	\$ (9,448)
Plan fiduciary net position as a percentage of total pension liability (asset)	141%	130%	228%	0%
Covered payroll	\$ 263,515	\$ 294,884	\$ 273,924	\$ 121,374
Net pension liability (asset) as a percentage of covered payroll	-11%	-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 2017 information was presented in the entity's fiscal year 2018 financial report.

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

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS**

June 30, 2021

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					
2021	\$ 11,251	\$ 11,251	\$ -	\$ 293,007	3.84%
2020	15,785	15,785	-	263,515	5.99%
2019	17,664	17,664	-	294,884	5.99%
2018	16,402	16,402	-	273,924	5.99%
2017	5,431	5,431	-	121,374	4.47%

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

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2021**

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Group Life Insurance - General Employees					
2020	0.00128%	\$ 21,361	\$ 293,007	7.29%	52.64%
2019	0.00151%	25,000	263,515	9.49%	52.00%
2018	0.00144%	22,000	294,884	7.46%	51.22%
2017	0.00048%	7,000	273,924	2.56%	48.60%

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. However, additional years will be included as they become available.

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

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS**

June 30, 2021

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					
2021	\$ 1,582	\$ 1,582	\$ -	\$ 293,007	0.54%
2020	1,370	1,370	-	263,515	0.52%
2019	1,533	1,533	-	294,884	0.52%
2018	1,424	1,424	-	273,924	0.52%
2017	458	458	-	121,374	0.38%

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

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

CRATER CRIMINAL JUSTICE TRAINING ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Note 1. Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2019, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%
Applicable to:	Pension and GLI OPEB

(Continued)

CRATER CRIMINAL JUSTICE TRAINING ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Note 2. Changes of Assumptions (Continued)

Largest 10 – Hazardous Duty/Public Safety Employees:

Mortality Rates (Pre-retirement, post-retirement, healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%
Applicable to:	Pension and GLI OPEB

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%
Applicable to:	Pension and GLI OPEB

(Continued)

CRATER CRIMINAL JUSTICE TRAINING ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Note 2. Changes of Assumptions (Continued)

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

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

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Crater Criminal Justice Training Academy

Supplementary Information

CRATER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

Year Ended June 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local jurisdictions	\$ 939,241	\$ 924,944	\$ (14,297)
Department of Criminal Justice Services	224,119	194,873	(29,246)
Tuition	17,500	23,675	6,175
Other	23,000	15,595	(7,405)
Total revenues	1,203,860	1,159,087	(44,773)
Personnel Expenses:			
Salaries	507,347	499,299	8,048
Retirement and other benefits	155,801	116,342	39,459
Total Personnel Expenses	663,148	615,641	47,507
Operating expenses other than depreciation:			
Insurance	14,400	13,830	570
Professional services	49,900	44,125	5,775
Travel & continuing education	16,000	4,882	11,118
Office supplies & postage	43,700	72,215	(28,515)
Miscellaneous	10,800	7,471	3,329
Training expenses	146,650	132,787	13,863
Repairs, custodial, & maintenance	55,819	51,357	4,462
Utilities	44,700	41,730	2,970
Vehicle maintenance and repairs	8,000	6,995	1,005
Depreciation	128,217	55,123	73,094
Total expenses	1,181,334	1,046,156	135,178
Excess of operating revenues over expenses	22,526	112,931	90,405
Nonoperating revenues (expenses)	(22,526)	(6,996)	15,530
Excess of revenues over expenses	\$ -	\$ 105,935	\$ 105,935

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Crater Criminal Justice Training Academy

Compliance Report

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Crater Criminal Justice Training Academy (the "Academy"), as of and for the year ended June 30, 2021, 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 24, 2021.

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.**

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 24, 2021

**CRATER CRIMINAL JUSTICE TRAINING ACADEMY
SUMMARY OF COMPLIANCE MATTERS
June 30, 2021**

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