Shenandoah Valley Juvenile Center Commission

Shenandoah Valley Juvenile Center

Financial Report

Year Ended June 30, 2022

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION

COMMISSION MEMBERS

Locality	Member
City of Lexington	Jim Halasz, Vice Chairman
City of Harrisonburg	Ande Banks
County of Augusta	Timothy Fitzgerald, Chairman
County of Rockbridge	Spencer H. Suter
County of Rockingham	Stephen King
City of Staunton	Leslie Beauregard
City of Waynesboro	Michael G. Hamp

OTHER OFFICIALS

Timothy J. Showalter	Executive Director
Dianne Hill	Secretary

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Shenandoah Valley Juvenile Center Commission, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Shenandoah Valley Juvenile Center Commission, as of June 30, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Shenandoah Valley Juvenile Center Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards, and the Specifications for Audits of Authorities, Boards, and Commissions*, we:

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

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole that collectively comprise Shenandoah Valley Juvenile Commission's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Shenandoah Valley Juvenile Center Commission's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2022, on our consideration of the Shenandoah Valley Juvenile Center Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Shenandoah Valley Juvenile Center Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shenandoah Valley Juvenile Center Commission's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 16, 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2022
With Comparative Totals for 2021

		2022		2021
ASSETS				
Current Assets:				
Cash and cash equivalents	$	1,656,102	$	2,077,041
Accounts receivable		89,598		62,467
Due from federal government		290,974		303,545
Prepaid items		5,409		7,151
Other receivables		1,704		2,187
Total current assets	$	2,043,787	$	2,452,391
Noncurrent Assets:				
Cash and cash equivalents (for capital projects)	$	3,475,680	$	2,069,759
Net pension asset		36,279		-
Net OPEB asset		4,219		-
Capital assets, net of accumulated depreciation:				
Land		545,276		545,276
Building and improvements		8,713,487		8,936,838
Equipment		138,368		121,401
Vehicles		34,696		54,356
Software		1,590		2,650
Construction work in progress		17,200		52,700
Net capital assets	$	9,450,617	$	9,713,221
Total noncurrent assets	$	12,966,795	$	11,782,980
Total assets	$	15,010,582	$	14,235,371
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$	213,540	$	412,417
OPEB related items		109,200		138,028
Total deferred outflows of resources	$	322,740	$	550,445
LIABILITIES				
Current liabilities:				
Accounts payable - operations	$	180,378	$	170,889
Accrued payroll		186,630		177,983
Unearned revenue - community placement initiative		206,080		206,080
Total current liabilities	$	573,088	$	554,952
Noncurrent liabilities:				
Net OPEB liabilities	$	390,244	$	868,178
Net pension liability		-		901,459
Compensated absences		159,092		181,079
Total noncurrent liabilities	$	549,336	$	1,950,716
Total liabilities	$	1,122,424	$	2,505,668
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$	747,940	$	49,960
OPEB related items		1,146,330		860,298
Total deferred inflows of resources	$	1,894,270	$	910,258
NET POSITION				
Investment in capital assets	$	9,450,617	$	9,713,221
Restricted for pension and OPEB benefits		40,498		-
Unrestricted		2,825,513		1,656,669
Total net position	$	12,316,628	$	11,369,890

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

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022
With Comparative Totals for 2021

	2022	2021
Operating Revenues:		
Participant assessments	$ 793,000	$ 571,430
Non-participant assessments	73,000	109,025
State wards assessments	2,900	1,450
DJJ direct intake	25,550	56,525
Community placement initiative	824,568	832,781
Contractual assessments	18,600	18,600
Other revenues	5,022	8,414
Total operating revenues	$ 1,742,640	$ 1,598,225
Operating Expenses:		
Personnel services	$ 3,140,109	$ 3,362,476
Fringe benefits	645,503	1,061,657
Contractual services	339,053	285,455
Other charges	1,014,651	865,817
Depreciation expense	358,401	350,441
Total operating expenses	$ 5,497,717	$ 5,925,846
Net operating income (loss)	$ (3,755,077)	$ (4,327,621)
Nonoperating Revenues (Expenses):		
State Block Grant	$ 1,183,933	$ 1,138,992
Federal USDA funds	62,813	49,618
Federal Unaccompanied Alien Children Grant	3,448,388	3,509,668
Interest income	6,681	5,382
Total nonoperating income (expenses)	$ 4,701,815	$ 4,703,660
Change in net position	$ 946,738	$ 376,039
Net position, beginning of year	11,369,890	10,993,851
Net position, end of year	$ 12,316,628	$ 11,369,890

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

Statement of Cash Flows
Year Ended June 30, 2022
With Comparative Totals for 2021

	2022	2021
Cash flows from operating activities:		
Receipts from customers and users	$ 1,715,992	$ 1,813,915
Payments to suppliers	(1,342,473)	(1,175,658)
Payments to and for employees	(4,007,126)	(4,332,434)
Net cash provided by (used for) operating activities	$ (3,633,607)	$ (3,694,177)
Cash flows from noncapital financing activities:		
Nonoperating grants received	$ 4,707,705	$ 4,722,888
Cash flows from capital and related financing activities:		
Purchases of property, plant and equipment	$ (95,797)	$ (130,080)
Net cash provided by (used for) capital and related financing activities	$ (95,797)	$ (130,080)
Cash flows from investing activities:		
Interest income	$ 6,681	$ 5,382
Increase (decrease) in cash and cash equivalents	$ 984,982	$ 904,013
Cash and cash equivalents, (including restricted cash and cash equivalents) at beginning of year	4,146,800	3,242,787
Cash and cash equivalents, (including restricted cash and cash equivalents) at end of year	$ 5,131,782	$ 4,146,800
Reconciliation of net operating income (loss) to net cash provided by (used for) by operating activities:		
Operating income (loss)	$ (3,755,077)	$ (4,327,621)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:		
Depreciation	358,401	350,441
Changes in operating assets, deferred outflows/inflows of resources, and liabilities:		
(Increase) decrease in receivables	(26,648)	9,610
(Increase) decrease in prepaid items	1,742	(3,954)
(Increase) decrease in net pension asset	(36,279)	-
(Increase) decrease in net OPEB asset	(4,219)	-
(Increase) decrease in deferred outflows of resources	227,705	(202,543)
Increase (decrease) in accounts payable	9,489	(20,432)
Increase (decrease) in accrued payroll	8,647	8,725
Increase (decrease) in unearned revenue	-	206,080
Increase (decrease) in deferred inflows of resources	984,012	(253,388)
Increase (decrease) in compensated absences	(21,987)	(13,305)
Increase (decrease) in net pension liability	(901,459)	418,268
Increase (decrease) in net OPEB liabilities	(477,934)	133,942
Net cash provided by (used for) operating activities	$ (3,633,607)	$ (3,694,177)

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

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

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

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

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

B. Basic Financial Statements and Required Supplementary Information

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

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

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

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

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

C. Basis of Accounting

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

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

D. Net Position

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

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

E. Net Position Flow Assumption

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

F. Cash and Cash Equivalents

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

G. Allowance for Doubtful Accounts

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

H. Inventory

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

I. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

J. Restricted Assets

Restricted assets include cash and cash equivalents committed by the Commission for future capital outlay, in the amount of $3,475,680 and $2,069,759 for the years ended June 30, 2022 and 2021, respectively.

K. Use of Estimates

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

L. Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The Commission has one type of item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on this item, reference the related notes.

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

N. Pensions

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

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

O. Other Postemployment Benefits (OPEB)

VRS Related OPEB

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

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

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

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

The Commission held no such investments at year end.

NOTE 4—COMPENSATED ABSENCES:

Full-time regular Commission employees earn vacation leave each month at a scheduled rate in accordance with their years of service and sick leave at the rate of one workday per month. Accumulated unpaid vacation and other compensatory leave amounts are accrued when incurred. An employee with at least five years of continuous service, upon separation, will be paid for twenty-five (25) percent of unused sick leave, not to exceed $5,000. At June 30, 2022 and 2021, the liability for accrued vacation leave and accrued sick leave was $159,092 and $181,079, respectively.

NOTE 5—PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

b. Employees with a membership date from July 1, 2010, to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

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

NOTE 5—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	32
Inactive members:	
Vested inactive members	23
Non-vested inactive members	65
Inactive members active elsewhere in VRS	64
Total inactive members	152
Active members	70
Total covered employees	254

NOTE 5—PENSION PLAN: (CONTINUED)

Contributions

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

The Commission's contractually required employer contribution rate for the years ended June 30, 2022 was 4.46% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were $93,340 and $97,993 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Asset

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

Actuarial Assumptions – General Employees

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

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

NOTE 5—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates:

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

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

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

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

Beneficiaries and Survivors:
Pub 2010 Amount Weighed Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTE 5—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Commission was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5—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, 2020	$ 6,590,283	$ 5,688,824	$ 901,459
Changes for the year:			
Service cost	$ 200,364	$ -	$ 200,364
Interest	427,055	-	427,055
Differences between expected and actual experience	(6,004)	-	(6,004)
Assumption changes	176,471	-	176,471
Contributions - employer	-	97,792	(97,792)
Contributions - employee	-	127,709	(127,709)
Net investment income	-	1,513,931	(1,513,931)
Benefit payments	(527,098)	(527,098)	-
Administrative expenses	-	(3,950)	3,950
Other changes	-	142	(142)
Net changes	$ 270,788	$ 1,208,526	$ (937,738)
Balances at June 30, 2021	$ 6,861,071	$ 6,897,350	$ (36,279)

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

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

		Rate	
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Commission's Net Pension Liability (Asset)	$ 809,682	$ (36,279)	$ (726,156)

NOTE 5—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2022, the Commission recognized pension expense of $52,258. At June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 39,119	$ 2,759
Change in assumptions	81,081	-
Net difference between projected and actual earnings on pension plan investments	-	745,181
Employer contributions subsequent to the measurement date	93,340	-
Total	$ 213,540	$ 747,940

$93,340 was reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	
2023	$ (56,785)
2024	(169,672)
2025	(173,233)
2026	(228,050)
2027	-
Thereafter	-

Pension Plan Data

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

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under the specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,722 as of June 30, 2022 and $8,616 as of June 30, 2021.

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were $14,331 and $15,651 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the entity reported a liability of $163,463 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021, and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.01400% as compared to 0.01570% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of $5,347. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,644	$ 1,246
Net difference between projected and actual earnings on GLI OPEB plan investments	-	39,015
Change in assumptions	9,012	22,365
Changes in proportionate share	11,688	33,108
Employer contributions subsequent to the measurement date	14,331	-
Total	$ 53,675	$ 95,734

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

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

$14,331 was reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30		
2023	$	(9,403)
2024		(8,949)
2025		(11,940)
2026		(19,024)
2027		(7,074)
Thereafter		-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

Actuarial Assumptions: (Continued)

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

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

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

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

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

NET GLI OPEB Liability

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

		GLI OPEB Plan
Total GLI OPEB Liability	$	3,577,346
Plan Fiduciary Net Position		2,413,074
GLI Net OPEB Liability (Asset)	$	1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

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

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:

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

Long-Term Expected Rate of Return: (Continued)

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

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

		Rate	
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Shenandoah Valley Juvenile Center Commission's proportionate share of the GLI Plan Net OPEB Liability	$ 238,826	$ 163,463	$ 102,604

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

Benefits Provided

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

Plan Membership

At June 30, 2021 (the measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	65
Total retirees with coverage	1
Total	66

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

Contributions

The Commission does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Commission. The Commission did not make contributions for the pay as you go OPEB plan during the year ended June 30, 2022.

Total OPEB Liability

The Commission's total OPEB liability was measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Salary Increases	3.00% annually
Discount Rate	1.92%

Healthcare cost trend or Mortality rates were based upon the following assumptions: For Health Pre-Retirement, Pub-2010 General Employees Headcount-Weighted Mortality Projected with Fully Generational MP2020 Mortality Improvement Scale; For Healthy Post-Employment, Pub-2010 General Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2020 Mortality Improvement Scale; For Disabled, Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2020 Mortality Improvement Scale.

Discount Rate

The discount rate is based on an index rate for 20-year tax-exempt general obligation municipal bond yield for AA/Aa rated bonds. The final equivalent single discount rate used for this year's valuation is 1.92% as of June 30, 2021.

Changes in Total OPEB Liability

		Commission's Total OPEB Liability
Balances at June 30, 2021	$	572,623
Changes for the year:		
Service cost	$	112,221
Interest		13,951
Difference between expected and actual experience		(388,378)
Changes in assumptions		(101,977)
Net changes		(364,183)
Balances at June 30, 2022	$	208,440

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

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

The following amounts present the total OPEB liability of the Commission, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (.92%) or one percentage point higher (2.92%) than the current discount rate:

	Rate	
1% Decrease (0.92%)	**Current Discount (1.92%)**	**1% Increase (2.92%)**
$ 228,205	$ 208,440	$ 190,337

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

The following presents the total OPEB liability of the Commission, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.94%) or one percentage point higher (4.94%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (2.94%)	**Healthcare Cost Trend (3.94%)**	**1% Increase (4.94%)**
$ 181,599	$ 208,440	$ 239,570

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

For the year ended June 30, 2022, the Commission recognized OPEB expense in the amount of $(154,290). At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	Deferred Outflows of Resouces	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 291,283
Changes in assumptions	32,009	733,583
Total	$ 32,009	$ 1,024,866

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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

Year Ended June 30		
2023	$	(280,462)
2024		(280,462)
2025		(280,461)
2026		(157,873)
2027		6,401
Thereafter		-

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

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

Plan Description

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

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

Eligible Employees

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

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

Benefit Amounts

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

HIC Plan Notes

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

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	15
Inactive members:	
Vested inactive members	1
Total inactive members	16
Active members	70
Total covered employees	86

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

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Commission contractually required employer contribution rate for the year ended June 30, 2022, was 0.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Commission to the HIC Plan were $3,706 and $4,045 for the years ended June 30, 2022 and June 30, 2021, respectively.

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately $2.5 million of additional employer contributions in FY 2021.

Net HIC OPEB Liability

The Commission net HIC OPEB liability was measured as of June 30, 2021. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

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

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

Actuarial Assumptions (Continued)

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

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

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

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

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Long-Term Expected Rate of Return

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

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

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

* On October 19, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability

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

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2020	$ 88,146	$ 60,088	$ 28,058
Changes for the year:			
Service cost	$ 1,967	$ -	$ 1,967
Interest	5,681	-	5,681
Differences between expected and actual experience	1,709	-	1,709
Assumption changes	(19)	-	(19)
Contributions - employer	-	4,044	(4,044)
Net investment income	-	15,181	(15,181)
Benefit payments	(7,981)	(7,981)	-
Administrative expenses	-	(170)	170
Net changes	$ 1,357	$ 11,074.00	$ (9,717)
Balances at June 30, 2021	$ 89,503	$ 71,162	$ 18,341

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Commission's Net HIC OPEB Liability	$ 26,744	$ 18,341	$ 11,174

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

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

For the year ended June 30, 2022, the Commission recognized HIC Plan OPEB expense of $1,328. At June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to the Commission's HIC Plan from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	3,302	$	6,660
Net difference between projected and actual earnings on HIC OPEB plan investments		-		7,165
Change in assumptions		1,124		493
Employer contributions subsequent to the measurement date		3,706		-
Total	$	8,132	$	14,318

$3,706 reported as deferred outflows of resources related to the HIC OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30		
2023	$	(2,098)
2024		(1,903)
2025		(2,051)
2026		(3,107)
2027		(538)
Thereafter		(195)

HIC Plan Data

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

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

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

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

VLDP Notes

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

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

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2022, was 0.83% of covered employee compensation for employees in the VRS Political Subdivision VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Commission to the VRS Political Subdivision VDLP were $12,735 and $13,896 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the Commission reported a liability (asset) of $(4,219) for its proportionate share of the VLDP Net OPEB Liability (asset). The Net VLDP OPEB Liability (asset) was measured as of June 30, 2021, and the total VLDP OPEB liability (asset) used to calculate the Net VLDP OPEB Liability (asset) was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The Commission's proportion of the Net VLDP OPEB Liability (asset) was based on the Commission's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Commission's proportion of the VLDP was 0.41677% as compared to 0.48308% at June 30, 2020.

For the year ended June 30, 2022, the Commission recognized VLDP OPEB expense of $11,156. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,506	$ 6,321
Net difference between projected and actual earnings on VLDP OPEB program investments	-	2,354
Change in assumptions	143	1,144
Changes in proportionate share	-	1,593
Employer contributions subsequent to the measurement date	12,735	-
Total	$ 15,384	$ 11,412

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

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

$12,735 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

Year Ended June 30		
2023	$	(1,376)
2024		(1,368)
2025		(1,388)
2026		(2,159)
2027		(750)
Thereafter		(1,722)

Actuarial Assumptions

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

Inflation	2.50%
Salary increases, including inflation	3.50%-5.35%
Investment rate of return	6.75%, net of program investment expenses, including inflation

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

Actuarial Assumptions: (Continued)

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

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

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

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

Benificiares and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally.

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Net VLDP OPEB Liability (Continued)

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

		Political Subdivision VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	$	5,156
Plan Fiduciary Net Position		6,166
Political Subdivision VLDP Net OPEB Liability (Asset)	$	(1,010)
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		119.59%

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

Long-Term Expected Rate of Return

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

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

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

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

* On October 19, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%

Discount Rate

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the Commission for the VLDP was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021, on all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VLDP OPEB liability (asset).

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

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

	Rate		
	1% Decrease (5.75%)	**Current Discount (6.75%)**	**1% Increase (7.75%)**
Commission's proportionate share of the VLDP Net OPEB Liability	$ (2,260)	$ (4,219)	$ (5,918)

VLDP OPEB Fiduciary Net Position

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

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

The following is a summary of the Commission's OPEB plans as of June 30, 2022:

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	Net OPEB Asset	OPEB Expense
VRS OPEB Plans:					
Group Life Insurance Plan (Note 6)	$ 53,675	$ 95,734	$ 163,463	$ -	$ 5,347
Health Insurance Credit Plan (Note 8)	8,132	14,318	18,341	-	1,328
Virginia Local Disability Program (Note 9)	15,384	11,412	-	4,219	11,156
Stand-Alone Plan (Note 7)	32,009	1,024,866	208,440	-	(154,290)
Totals	$ 109,200	$ 1,146,330	$ 390,244	$ 4,219	$ (136,459)

NOTE 11—ASSESSMENTS TO PARTICIPANTS:

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

	2022		2021	
	Percent	Assessment	Percent	Assessment
County of Augusta, Virginia	18.80%	$ 149,085	16.04%	$ 91,643
City of Harrisonburg, Virginia	28.79%	228,304	26.04%	148,777
City of Lexington, Virginia	0.34%	2,696	0.14%	800
County of Rockbridge, Virginia	4.24%	33,624	3.45%	19,687
County of Rockingham, Virginia	19.31%	153,128	23.54%	134,493
City of Staunton, Virginia	16.47%	130,607	13.87%	79,245
City of Waynesboro, Virginia	12.05%	95,556	16.94%	96,785
Total	100.00%	$ 793,000	100.00%	$ 571,430

NOTE 12—RISK MANAGEMENT:

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

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

NOTE 12—RISK MANAGEMENT: (CONTINUED)

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

NOTE 13—UNEARNED REVENUE:

As of June 30, 2022, the Commission had unearned revenue in the amount of $206,080. This amount represents the quarterly reserved bed allotment for the community placement initiative for the first quarter of fiscal year 2023, which had been received but not earned as of year end.

NOTE 14—CAPITAL ASSETS:

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

	July 1, 2021	Increases	Decreases	June 30, 2022
Capital assets not being depreciated:				
Land	$ 545,276	$ -	$ -	$ 545,276
Construction in progress	52,700	34,200	(69,700)	17,200
Total capital assets not being depreciated	$ 597,976	$ 34,200	$ (69,700)	$ 562,476
Capital assets being depreciated:				
Building and improvements	$ 13,278,219	$ 69,701	$ -	$ 13,347,920
Equipment	545,565	61,596	-	607,161
Vehicles	159,887	-	-	159,887
Software	32,610	-	-	32,610
Total capital assets being depreciated	$ 14,016,281	$ 131,297	$ -	$ 14,147,578
Accumulated depreciation:				
Building and improvements	$ (4,341,381)	$ (293,052)	$ -	$ (4,634,433)
Equipment	(424,164)	(44,629)	-	(468,793)
Vehicles	(105,531)	(19,660)	-	(125,191)
Software	(29,960)	(1,060)	-	(31,020)
Total accumulated depreciation	$ (4,901,036)	$ (358,401)	$ -	$ (5,259,437)
Capital assets being depreciated, net	$ 9,115,245	$ (227,104)	$ -	$ 8,888,141
Total Capital assets, net	$ 9,713,221	$ (192,904)	$ (69,700)	$ 9,450,617

Depreciation expense for the year ended June 30, 2022, was $358,401.

NOTE 15—LONG-TERM OBLIGATIONS:

Changes in Long-Term Obligations:

	July 1, 2021	Increase/ Issuances	Decrease/ Retirements	June 30, 2022
Compensated Absences	$ 181,079	$ -	$ 21,987	$ 159,092
Net Pension Liability	901,459	844,119	1,745,578	-
Net OPEB Liabilities	868,178	234,075	712,009	390,244
Total Long-Term Obligations	$ 1,950,716	$ 1,078,194	$ 2,479,574	$ 549,336

NOTE 16—DUE FROM FEDERAL GOVERNMENT:

Due from federal government consists of the following for June 30, 2022:

Federal Unaccompanied Alien Children Grant	$ 272,165
Federal USDA funds	18,809
Total	$ 290,974

NOTE 17—LITIGATION:

On October 4, 2018, a class action lawsuit was filed in the U.S. District Court for the Western District of Virginia, claiming various constitutional violations relating to Shenandoah Valley Juvenile Center Commission's treatment of unaccompanied alien children (UAC) in the Office of Refugee Resettlement Program. This lawsuit seeks changes to the Commission's policies, procedures, and mental health treatment relating to UACs. There is no request for monetary damages, but there is a request for payment of the plaintiff's attorney's fees. On July 23, 2019, the District Court granted summary judgement in the Commission's favor on the claim of constitutionally inadequate mental health care. All other claims were dismissed with prejudice. The plaintiffs appealed the dismissal of the mental health care claim and on January 12, 2021, the Fourth Circuit issued a ruling that reversed the District's Court dismissal and remanded the case for further proceedings. The Commission has appealed the Fourth Circuit's decision to the United States Supreme Court, which has not decided whether to hear the case.

The Fourth Circuit declined to stay further proceedings, so this case is also currently being litigated in the District Court. On July 23, 2021, the Plaintiffs filed a Third Amended Complaint requesting injunctive relief that would require changes to the Commission's policies and procedures pertaining to mental health treatment. There is no request for monetary damages, but there is a request for reimbursement of the plaintiffs' attorney fees, which could be substantial. The original plaintiffs are no longer able to participate in the lawsuit and counsel must identify a new class representative for the case to proceed. The Commission denies all wrongdoing and is vigorously defending this position. Based upon council and management's opinion, the outcome of this is not expected to have a material adverse effect on the Commission.

NOTE 18—UPCOMING PRONOUNCEMENTS:

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Management is currently evaluating the impact this standard will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

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SHENANDOAH VALLEY JUVENILE CENTER COMMISSION

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2021

	2021	2020	2019
Total pension liability:			
Service cost	$ 200,364	$ 231,010	$ 230,124
Interest	427,055	407,140	406,124
Changes in benefit terms	-	-	175,318
Differences between expected and actual experience	(6,004)	134,533	(156,256)
Changes of assumptions	176,471	-	-
Benefit payments	(527,098)	(428,213)	(422,530)
Net change in total pension liability	$ 270,788	$ 344,470	$ 232,780
Total pension liability - beginning	6,590,283	6,245,813	6,013,033
Total pension liability - ending (a)	$ 6,861,071	$ 6,590,283	$ 6,245,813
Plan fiduciary net position:			
Contributions - employer	$ 97,792	$ 105,896	$ 111,675
Contributions - employee	127,709	143,706	149,320
Net investment income	1,513,931	108,734	365,775
Benefit payments	(527,098)	(428,213)	(422,530)
Administrator charges	(3,950)	(3,793)	(3,690)
Other	142	(128)	(230)
Net change in plan fiduciary net position	$ 1,208,526	$ (73,798)	$ 200,320
Plan fiduciary net position - beginning	5,688,824	5,762,622	5,562,302
Plan fiduciary net position - ending (b)	$ 6,897,350	$ 5,688,824	$ 5,762,622
Commission's net pension liability (asset) - ending (a) - (b)	$ (36,279)	$ 901,459	$ 483,191
Plan fiduciary net position as a percentage of the total pension liability	100.53%	86.32%	92.26%
Covered payroll	$ 2,889,009	$ 3,234,161	$ 3,282,892
Commission's net pension liability (asset) as a percentage of covered payroll	-1.26%	27.87%	14.72%

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

2018	2017	2016	2015	2014
$ 214,861	$ 207,140	$ 205,052	$ 208,323	$ 219,904
387,756	389,716	378,541	369,494	353,015
-	(91,100)	-	-	-
66,323	(171,344)	(93,691)	(130,881)	-
-	-	-	-	-
(390,556)	(334,270)	(326,236)	(309,173)	(365,823)
$ 278,384	$ 142	$ 163,666	$ 137,763	$ 207,096
5,734,649	5,734,507	5,570,841	5,433,078	5,225,982
$ 6,013,033	$ 5,734,649	$ 5,734,507	$ 5,570,841	$ 5,433,078
$ 143,300	$ 134,276	$ 198,749	$ 185,473	$ 217,899
143,335	130,887	122,029	114,901	113,189
388,690	578,229	83,318	206,743	616,464
(390,556)	(334,270)	(326,236)	(309,173)	(365,823)
(3,378)	(3,333)	(2,882)	(2,786)	(3,332)
(345)	(516)	(35)	(45)	32
$ 281,046	$ 505,273	$ 74,943	$ 195,113	$ 578,429
5,281,256	4,775,983	4,701,040	4,505,927	3,927,498
$ 5,562,302	$ 5,281,256	$ 4,775,983	$ 4,701,040	$ 4,505,927
$ 450,731	$ 453,393	$ 958,524	$ 869,801	$ 927,151
92.50%	92.09%	83.28%	84.39%	82.94%
$ 3,171,497	$ 2,859,594	$ 2,635,432	$ 2,387,370	$ 2,267,483
14.21%	15.86%	36.37%	36.43%	40.89%

Schedule of Employer Contributions
Pension Plan
For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	$ 93,340	$ 93,340	$ -	$ 2,647,144	3.53%
2021	97,993	97,993	-	2,889,009	3.39%
2020	106,192	106,192	-	3,234,161	3.28%
2019	112,163	112,163	-	3,282,892	3.42%
2018	143,300	143,300	-	3,171,497	4.52%
2017	134,659	134,659	-	2,859,594	4.71%
2016	198,749	198,749	-	2,635,432	7.54%
2015	185,473	185,473	-	2,387,370	7.77%
2014	217,899	217,899	-	2,267,483	9.61%
2013	199,758	199,758	-	2,125,084	9.40%

* Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2022

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

The Commission's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.01400%	$ 163,463	$ 2,898,263	5.64%	67.45%
2020	0.01570%	262,675	3,240,268	8.11%	52.64%
2019	0.01692%	275,333	3,317,120	8.30%	52.00%
2018	0.01685%	256,000	3,203,933	7.99%	51.22%
2017	0.01566%	236,000	2,899,146	8.14%	48.86%

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

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	$ 14,331	$ 14,331	$ -	$ 2,653,944	0.54%
2021	15,651	15,651	-	2,898,263	0.54%
2020	16,849	16,849	-	3,240,268	0.52%
2019	17,279	17,279	-	3,317,120	0.52%
2018	16,660	16,660	-	3,203,933	0.52%
2017	15,024	15,024	-	2,899,146	0.52%
2016	12,678	12,678	-	2,641,352	0.48%
2015	11,533	11,533	-	2,402,738	0.48%
2014	10,884	10,884	-	2,267,483	0.48%
2013	10,343	10,343	-	2,154,788	0.48%

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2022

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

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios -
Medical, Dental, and Prescription Insurance
Years Ended June 30, 2018 through June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	$ 112,221	$ 96,714	$ 79,899	$ (7,969)	$ 47,480
Interest	13,951	13,084	55,579	44,503	51,186
Changes in assumptions	(101,977)	44,813	(1,149,925)	248,945	(361,782)
Differences between expected and actual experience	(388,378)	-	-	-	-
Net change in total OPEB liability	**$** (364,183)	$ 154,611	$ (1,014,447)	$ 285,479	$ (263,116)
Total OPEB liability - beginning	572,623	418,012	1,432,459	1,146,980	1,410,096
Total OPEB liability - ending	**$** 208,440	$ 572,623	$ 418,012	$ 1,432,459	$ 1,146,980
Covered payroll	N/A	N/A	N/A	N/A	N/A
Commission's total OPEB liability (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

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

Notes to Required Supplementary Information
Medical, Dental, and Prescription Insurance
Year Ended June 30, 2022

Valuation Date: 7/1/2022
Measurement Date: 6/30/2021

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	1.92% as of June 30, 2021
Inflation	2.50% per year as of June 30, 2021
Healthcare Trend Rate	Developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Mode baseline assumptions. The SOA Model was released in October 2021.
Salary Increase Rates	3.00% annually
Retirement Age	The average age at retirement is 50
Mortality Rates	Healthy Pre-Retirement: Pub-2010 General Employees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale; Healthy Post-Employment: Pub-2010 General Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale; Disabled: Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale

Schedule of Changes in the Commission's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2021

	2021	2020	2019	2018	2017
Total HIC OPEB Liability					
Service cost	$ 1,967	$ 2,395	$ 2,641	$ 2,000	$ 3,000
Interest	5,681	5,956	6,300	6,000	6,000
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	1,709	(4,822)	(5,494)	5,000	-
Changes of assumptions	(19)	-	1,955	-	(2,000)
Benefit payments	(7,981)	(7,245)	(7,074)	(8,000)	(6,000)
Other			534	-	
Net change in total HIC OPEB liability	$ 1,357	$ (3,716)	$ (1,138)	$ 5,000	$ 1,000
Total HIC OPEB Liability - beginning	88,146	91,862	93,000	88,000	87,000
Total HIC OPEB Liability - ending (a)	$ 89,503	$ 88,146	$ 91,862	$ 93,000	$ 88,000
Plan fiduciary net position					
Contributions - employer	$ 4,044	$ 4,527	$ 4,595	$ 5,000	$ 5,000
Net investment income	15,181	1,213	3,770	4,000	6,000
Benefit payments	(7,981)	(7,245)	(7,074)	(8,000)	(6,000)
Administrator charges	(170)	(114)	(81)	-	-
Other	-	(1)	498	-	-
Net change in plan fiduciary net position	$ 11,074	$ (1,620)	$ 1,708	$ 1,000	$ 5,000
Plan fiduciary net position - beginning	60,088	61,708	60,000	59,000	54,000
Plan fiduciary net position - ending (b)	$ 71,162	$ 60,088	$ 61,708	$ 60,000	$ 59,000
Commission's net HIC OPEB liability - ending (a) - (b)	$ 18,341	$ 28,058	$ 30,154	$ 33,000	$ 29,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	79.51%	68.17%	67.17%	64.52%	67.05%
Covered payroll	$ 2,889,009	$ 3,234,161	$ 3,282,892	$ 3,171,497	$ 2,859,594
Commission's net HIC OPEB liability as a percentage of covered payroll	0.63%	0.87%	0.92%	1.04%	1.01%

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

Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	$ 3,706	$ 3,706	$ -	$ 2,647,144	0.14%
2021	4,045	4,045	-	2,889,009	0.14%
2020	4,528	4,528	-	3,234,161	0.14%
2019	4,603	4,603	-	3,282,892	0.14%
2018	5,392	5,392	-	3,171,497	0.17%
2017	4,861	4,861	-	2,859,594	0.17%
2016	4,480	4,480	-	2,635,432	0.17%
2015	4,059	4,059	-	2,387,370	0.17%
2014	4,308	4,308	-	2,267,483	0.19%
2013	4,032	4,032	-	2,122,251	0.19%

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

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule the Commission's Share of Net OPEB Liability (Asset)
Virginia Local Disability Program (VLDP)
For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2021	0.4168%	$ (4,219)	$ 1,674,197	-0.25%	119.59%
2020	0.4831%	4,822	1,800,192	0.27%	76.84%
2019	0.5300%	10,737	1,637,771	0.66%	49.19%
2018	0.6403%	5,000	1,456,863	0.34%	51.39%
2017	0.7150%	4,000	1,304,561	0.31%	38.40%

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

Schedule of Employer Contributions
Virginia Local Disability Program (VLDP)
For the Years Ended June 30, 2017 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	$ 12,735	$ 12,735	$ -	$ 1,534,352	0.83%
2021	13,896	13,896	-	1,674,197	0.83%
2020	12,961	12,961	-	1,800,192	0.72%
2019	11,813	11,813	-	1,637,771	0.72%
2018	9,328	9,328	-	1,456,863	0.64%
2017	7,878	7,878	-	1,304,561	0.60%

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

Notes to Required Supplementary Information
Virginia Local Disability Program (VLDP)
For the Year Ended June 30, 2022

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

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

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Budget-Positive (Negative)
Operating Revenues:				
Participant assessments	$ 792,998	$ 792,998	$ 793,000	$ 2
Non-participant assessments	56,000	56,000	73,000	17,000
State wards assessments	3,825	3,825	2,900	(925)
DJJ reentry - child care	10,000	10,000	-	(10,000)
DJJ direct intake	72,000	72,000	25,550	(46,450)
Community placement initiative	817,600	817,600	824,568	6,968
Contractual assessments	18,600	18,600	18,600	-
Other revenues	7,500	7,500	5,022	(2,478)
Total operating revenues	$ 1,778,523	$ 1,778,523	$ 1,742,640	$ (35,883)
Operating Expenses:				
Personnel services	$ 3,777,948	$ 3,777,948	$ 3,140,109	$ 637,839
Fringe benefits	1,167,883	1,167,883	645,503	522,380
Contractual services	251,500	251,500	339,053	(87,553)
Other charges	1,307,000	1,307,000	1,014,651	292,349
Depreciation expense	325,000	325,000	358,401	(33,401)
Total operating expenses	$ 6,829,331	$ 6,829,331	$ 5,497,717	$ 1,331,614
Net operating income (loss)	$ (5,050,808)	$ (5,050,808)	$ (3,755,077)	$ 1,295,731
Nonoperating Revenues (Expenses):				
State Block Grant	$ 1,113,745	$ 1,113,745	$ 1,183,933	$ 70,188
Federal USDA funds	85,000	85,000	62,813	(22,187)
Federal Unaccompanied Alien Children Grant	3,847,063	3,847,063	3,448,388	(398,675)
Interest income	5,000	5,000	6,681	1,681
Total nonoperating revenues (expenses)	$ 5,050,808	$ 5,050,808	$ 4,701,815	$ (348,993)
Change in net position	$ -	$ -	$ 946,738	$ 946,738
Net position, beginning of year	-	-	11,369,890	11,369,890
Net position, end of year	$ -	$ -	$ 12,316,628	$ 12,316,628

COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Shenandoah Valley Juvenile Center Commission as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Shenandoah Valley Juvenile Center Commission's basic financial statements and have issued our report thereon dated November 16, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 16, 2022

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | CONSULTANTS

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Shenandoah Valley Juvenile Center Commission's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Shenandoah Valley Juvenile Center Commission's major federal programs for the year ended June 30, 2022. Shenandoah Valley Juvenile Center Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Shenandoah Valley Juvenile Center Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Shenandoah Valley Juvenile Center Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Shenandoah Valley Juvenile Center Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management's for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statues, regulations, rules, and provisions of contracts of grant agreements applicable to Shenandoah Valley Juvenile Center Commission's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Shenandoah Valley Juvenile Center Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Shenandoah Valley Juvenile Center Commission's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Shenandoah Valley Juvenile Center Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Shenandoah Valley Juvenile Center Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Shenandoah Valley Juvenile Center Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 16, 2022

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Direct Payments:			
Unaccompanied Alien Children Program	93.676	Not Applicable	$ 3,448,388
Total Department of Health and Human Services			$ 3,448,388
Department of Agriculture:			
Pass-Through Payments:			
Virginia Department of Juvenile Justice:			
Child and Adult Care Food Program	10.558	Not Available	$ 62,813
Total Department of Agriculture			$ 62,813
Total Expenditures of Federal Awards			$ 3,511,201

See accompanying notes to schedule of expenditures of federal awards.

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Shenandoah Valley Juvenile Center Commission under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Commission.

B. Summary of Significant Account Policies:

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

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

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

C. Matching Costs:

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

NOTE B-RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

NOTE C-SUBRECIPIENTS

No federal funding was passed through to subrecipients during the fiscal year ended June 30, 2022.

SHENANDOAH VALLEY JUVENILE CENTER COMMISSION

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I-Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

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

Section II-Financial Statement Findings

There are no financial statement findings to report.

Section III-Federal Award Findings and Questioned Costs

There are no federal award findings to report.

Section IV-Summary Schedule of Prior Year Findings

There are no prior year findings to report.