Middle Peninsula Juvenile Detention Commission

Basic Financial Statements
(With Independent Auditor's Report Thereon)

June 30, 2021

Middle Peninsula Juvenile Detention Commission

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BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Commission Members
Middle Peninsula Juvenile Detention Commission
Williamsburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Middle Peninsula Juvenile Detention Commission as of and for the year ended June 30, 2021, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middle Peninsula Juvenile Detention Commission as of June 30, 2021, and the changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis-of-matter

Change in Estimate

As described in Note 10, the beginning net position for fiscal year 2021 was restated to reflect an adjustment related to the Commission's pension and health insurance credit (HIC) other post-employment benefits (OPEB) plans. Our opinion is not modified with respect to this matter.

Summarized Comparative Information

We have previously audited the Middle Peninsula Juvenile Detention Commission's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived. Because information to restate prior years in relation to the change in estimate, discussed in the preceding paragraph, is not readily available, the comparative information has not been restated.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 5 and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers them to be essential parts of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context and disclosing additional plan information. 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 12, 2021, on our consideration of the Middle Peninsula Juvenile Detention 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 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 Middle Peninsula Juvenile Detention Commission's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 12, 2021

Middle Peninsula Juvenile Detention Commission
Management's Discussion and Analysis
June 30, 2021

This section of the Middle Peninsula Juvenile Detention Commission's (the Commission) annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year ended June 30, 2021.

Financial Highlights

The Commission had an increase in net position of $70,808 for fiscal year 2021. This increase in primarily a result of the normalization of fees from member jurisdictions following the impacts of COVID-19 in fiscal year 2020. In addition, the Commission restated its beginning net position by ($246,029) to reflect adjustments related to its pension and other postemployment benefit plans. Additional information on this restatement can be found in Note 10 to the basic financial statements. Comparative prior year information, to the extent presented here, has not been restated because the necessary information is not available.

Overview of the Financial Statements

The financial section of this report has two components - Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements are comprised of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements. The Statement of Net Position presents information on the Commission's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between these two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating. However, it is also important to consider other nonfinancial factors, such as changes in economic conditions, population and service area growth, and new or changed legislation. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Notes to the financial statements are an integral part of the statements and should be read in conjunction with the financial statements and the Management's Discussion and Analysis.

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

Financial Analysis

Summary of Statement of Net Position

	6/30/2021	6/30/2020
Current and other assets	$ 3,923,945	$ 2,842,472
Capital assets, net of accumulated depreciation	3,879,794	3,870,372
Total assets	7,803,739	6,712,844
Deferred outflow of resources	470,037	264,441
Total assets and deferred outflows	$ 8,273,776	$ 6,977,285
Current liabilities	$ 1,747,473	$ 754,369
Noncurrent liabilities	1,613,515	1,133,894
Total liabilities	3,360,988	1,888,263
Deferred inflow of resources	22,595	23,608
Net investment in capital assets	2,905,321	2,838,453
Restricted	-	301,639
Unrestricted	1,984,872	1,925,322
Total net position	4,890,193	5,065,414
Total liabilities, deferred inflows, and net position	$ 8,273,776	$ 6,977,285

Total assets increased by $1,090,895 for the year ending June 30, 2021. This increase was primarily the result of an increase in cash related to operating activities.

Total liabilities increased by $1,472,725 in fiscal year 2021. This increase was primarily due to an increase in unearned revenue at the end of the fiscal year related to advanced payments received for fiscal year 2022 for the community placement program.

For fiscal year 2021, deferred outflows of resources increased by $205,596, and deferred inflows of resources decreased by ($1,013). These deferred outflows and inflows of resources consisted of employer contributions subsequent to the measurement date, changes in assumptions, changes in proportion, and differences between expected and actual experience and between projected and actual earnings on plan investments related to the Commission's pension and OPEB plans. These deferred outflows and deferred inflows are reported on the Commission's Statement of Net Position for fiscal year 2021.

At June 30, 2021, net position for the Commission was $4,890,193.

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

	6/30/2021	6/30/2020
Fees from member jurisdictions	$ 1,452,368	$ 1,256,648
Other operating revenues	2,969,243	2,935,985
Total operating revenues	4,421,611	4,192,633
Salaries, wages and benefits	3,532,161	3,579,251
Other expenses	769,601	678,654
Total operating expenses	4,301,762	4,257,905
Operating income (loss)	119,849	(65,272)
Net nonoperating revenues (expenses)	(49,041)	20,636
Change in net position	70,808	(44,636)
Net position, beginning of year, as restated	4,819,385	5,110,050
Net position, end of year	$ 4,890,193	$ 5,065,414

One of the primary sources of revenue for the Commission is the fees from the member jurisdictions for which they serve. For fiscal year 2021, fees from member jurisdiction increased by 15.6%. The increase in fiscal year 2021 was primarily a result of the normalization of fees from member jurisdictions following the impacts of COVID-19 in fiscal year 2020.

Other operating revenues consist primarily of funds from the state and federal governments. In fiscal year 2021, this amount increased by $33,258 from 2020, primarily as a result of an increase in state reimbursements and assessments.

Salaries, wages, and benefits accounted for 82.1% of the Commission's total operating expenses in fiscal year 2021. Personnel costs decreased by ($47,090) in 2021 primarily due to turnover during the fiscal year.

Other operating expenses increased by $90,947 from 2020, primarily due to an increase in depreciation expense and minor furniture and equipment purchases.

For 2021, net nonoperating revenues (expenses) consisted of interest earned on investments, interest expense, and losses on the disposal of capital assets.

Total net position increased by $70,808 for the fiscal year ended June 30, 2021, mainly due to the reasons enumerated above.

Capital Assets

	6/30/2021	6/30/2020
Nondepreciable	$ 118,354	$ 932,656
Depreciable, net	3,761,440	2,937,706
Capital assets, net	$ 3,879,794	$ 3,870,362

In fiscal year 2021, the Commission completed capital improvements that began in 2020 resulting in the conversion of construction in progress of $814,312 to depreciable capital assets. These facility upgrades and energy improvements related to the HVAC system, a boiler, a chiller, and lighting.

For fiscal year 2021, the increase in net depreciable capital assets primarily resulted from the net effect of any additions or disposals, and the depreciation expense incurred. Additional information can be found in Note 4 to the basic financial statements.

Requests for Financial Information

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

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Middle Peninsula Juvenile Detention Commission
Statement of Net Position
June 30, 2021

	6/30/2021	6/30/2020*
Assets and Deferred Outflows of Resources		
Current assets		
Cash and short-term investments (Note 2)	$ 3,885,644	$ 2,528,524
Restricted cash, cash equivalents and investments	-	289,485
Accounts receivable (Note 3)	37,898	11,875
Due from James City County	403	434
Total current assets	3,923,945	2,830,318
Health insurance credit OPEB asset (Note 7)	-	12,154
Capital assets (Note 4)		
Nondepreciable	118,354	932,666
Depreciable, net	3,761,440	2,937,706
Capital assets, net	3,879,794	3,870,372
Deferred outflows of resources		
Deferred pension outflows (Note 6)	262,187	139,009
Deferred retiree healthcare OPEB plan (Note 7)	16,892	10,214
Deferred group life insurance OPEB plan (Note 7)	174,239	102,109
Deferred health insurance credit OPEB plan (Note 7)	4,681	3,178
Deferred Virginia local disability program OPEB plan (Note 7)	12,038	9,931
Total deferred outflows of resources	470,037	264,441
Total assets and deferred outflows of resources	$ 8,273,776	$ 6,977,285
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Accounts payable	$ 39,607	$ 62,093
Retainage payable	-	40,715
Interest payable	14,623	-
Accrued payroll	13,756	4,511
Unearned revenue	1,428,975	360,180
Noncurrent liabilities (Notes 6, 7 and 8):		
Due within one year	250,512	286,870
Due in more than one year	1,613,515	1,133,894
Total liabilities	3,360,988	1,888,263
Deferred inflow of resources		
Deferred retiree healthcare OPEB plan (Note 7)	13,699	17,371
Deferred group life insurance OPEB plan (Note 7)	5,686	6,009
Deferred Virginia local disability program OPEB plan (Note 7)	3,210	228
Total deferred inflows of resources	22,595	23,608
Net position		
Net investment in capital assets	2,905,321	2,838,453
Restricted for financing lease	-	289,485
Restricted for health insurance credit OPEB	-	12,154
Unrestricted	1,984,872	1,925,322
Total net position	4,890,193	5,065,414
Total liabilities, deferred inflow of resources, and net position	$ 8,273,776	$ 6,977,285

* The prior fiscal year is presented for comparative purposes only.

See accompanying notes to financial statements.

Middle Peninsula Juvenile Detention Commission
Statement of Revenues, Expenses and Changes in Net Position
June 30, 2021

	6/30/2021	6/30/2020*
Operating revenues		
Fees from member jurisdictions	$ 1,452,368	$ 1,256,648
Commonwealth of Virginia	2,877,851	2,854,402
Federal government	84,447	64,931
Fees from nonmember jurisdictions	1,357	-
Other	5,588	16,652
Total operating revenues	4,421,611	4,192,633
Operating expenses		
Salaries and wages	2,517,542	2,671,081
Employee benefits	1,014,619	908,170
Depreciation	236,083	204,708
Supplies	189,457	181,211
Professional services	137,777	135,972
Utilities	88,392	87,327
Miscellaneous	41,299	22,792
Insurance	17,377	18,127
Training	2,635	11,002
Minor furniture and equipment	44,014	8,963
COVID-19 pandemic costs	9,142	8,552
Capital improvements	3,425	-
Total operating expenses	4,301,762	4,257,905
Operating income (loss)	119,849	(65,272)
Nonoperating revenues (expenses)		
Interest income	4,959	36,416
Interest expense	(40,668)	-
Loss on disposal of capital assets	(13,332)	(15,780)
Total nonoperating revenues (expenses), net	(49,041)	20,636
Change in net position	70,808	(44,636)
Net position, beginning of year, as restated (Note 10)	4,819,385	5,110,050
Net position, end of year	$ 4,890,193	$ 5,065,414

* The prior fiscal year is presented for comparative purposes only.

See accompanying notes to financial statements.

Middle Peninsula Juvenile Detention Commission
Statement of Cash Flows
June 30, 2021

	6/30/2021	6/30/2020*
Cash flows from operating activities:		
Cash received from customers	$ 5,463,734	$ 4,602,782
Cash payments to suppliers for goods and services	(524,391)	(454,003)
Cash payments for personnel services	(3,462,691)	(3,635,295)
Net cash provided by operating activities	1,476,652	513,484
Cash flows from capital and related financing activities:		
Proceeds from financing lease	-	1,031,919
Repayment of financing lease	(57,446)	-
Interest paid	(26,046)	-
Acquisition and construction of capital assets	(331,164)	(787,578)
Proceeds from sale of capital assets	26	551
Net cash provided by capital and financing activities	(414,630)	244,892
Cash flows from investment activities:		
Interest received	5,613	39,525
Increase in cash and short-term investments	1,067,635	797,901
Cash, cash equivalents, and short-term investments, beginning of year	2,818,009	2,020,108
Cash, cash equivalents, and short-term investments, end of year	$ 3,885,644	$ 2,818,009
Reconciliation of cash, cash equivalents and short-term investments to statement of net position		
Cash and short-term investments	$ 3,885,644	$ 2,528,524
Restricted cash, cash equivalents and investments	-	289,485
Total	$ 3,885,644	$ 2,818,009
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ 119,849	$ (65,272)
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	236,083	204,708
Pension expense, net of employer contributions, and deferred outflows	47,952	(72,813)
Retiree healthcare OPEB expense, net of employer contributions, and deferred outflows/inflows	1,481	2,849
Group life insurance OPEB expense, net of employer contributions, and deferred outflows/inflows	23,579	4,246
Health insurance credit OPEB expense, net of employer contributions, and deferred outflows	(1,185)	(13,966)
Virginia local disability program OPEB expense, net of employer contributions, and deferred outflows/inflows	160	(2,774)
Changes in operating assets and liabilities:		
Accounts receivable	(26,703)	48,418
Due from James City County	31	1,551
Accounts payable	9,127	19,943
Accrued payroll	9,245	(3,552)
Compensated absences	(11,762)	29,966
Unearned revenue	1,068,795	360,180
Total adjustments	1,356,803	578,756
Net cash provided by operating activities	$ 1,476,652	$ 513,484
Noncash capital and financing activities:		
Construction in progress included in retainage payable at June 30	$ -	$ 40,715
Construction in progress included in accounts payable at June 30	-	31,613
Proceeds from sale included in accounts receivable at June 30	-	26
Total noncash capital and financing activities	$ -	$ 72,354
Noncash investing activity:		
Interest income included in accounts receivable at June 30	$ 92	$ 746

* The prior fiscal year is presented for comparative purposes only.

See accompanying notes to financial statements.

1) Summary of Significant Accounting Policies

The Middle Peninsula Juvenile Detention Commission (Commission) was created as a political subdivision of the Commonwealth of Virginia by resolutions adopted in 1993. Member jurisdictions are as follows: Caroline County, Charles City County, Essex County, Gloucester County, Hanover County, James City County, King and Queen County, King William County, Lancaster County, Mathews County, Middlesex County, New Kent County, Northumberland County, City of Poquoson, Richmond County, Westmoreland County, City of Williamsburg, and York County.

The general purpose of the Commission is to maintain and operate a detention center facility for youths. A 32-bed facility was completed and placed into operation in December 1997. An additional 16-bed facility was placed into operation in July 1998.

Reporting Entity

The Commission is a legally separate organization, and the member jurisdictions cannot impose their will on the Commission. There is no potential financial benefit or burden in the relationship. Accordingly, the Commission is not considered a component unit of any other entity. James City County (County) is the fiscal agent for the Commission.

Basis of Accounting and Presentation

The Commission utilizes the economic resources measurement focus and the accrual basis of accounting similar to an enterprise fund. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. Enterprise funds are used to account for activities that are financed and operated similar to those often found in the private sector. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the Commission’s ongoing operations. Operating revenues include fees from member and nonmember jurisdictions, and intergovernmental revenues. Operating expenses include salaries and wages, employee benefits, and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. The Commission generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near maturity that they present insignificant risk of changes in value because of changes in interest rates. The Commission considers all certificates of deposits, regardless of their maturity, and other investments with original maturities of three months or less to be cash equivalents.

Capital Assets

The Commission’s policy is to capitalize capital assets with a historical cost or acquisition value at time of donation of five thousand dollars ($5,000) or greater. The costs of major improvements are capitalized while the cost of maintenance and repairs, which do not improve or extend the life of an asset, are expensed. The Commission provides for depreciation of capital assets using the straight-line method at amounts estimated to amortize the cost or basis of the assets over their estimated useful lives. Useful lives for the Commission’s depreciable assets are as follows:

Building	7-40 years
Improvements other than building	20-30 years
Machinery and equipment	3-12 years

When capital assets are sold or retired, the related asset and accumulated depreciation are removed from the accounts and any gain or loss is included in nonoperating revenues (expenses).

1) Summary of Significant Accounting Policies, Continued

Deferred Outflows and Inflows of Resources

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

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

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

Fees Revenue

Fees from member jurisdictions consist of charges billed on a rolling five year utilization average (previously it was based on the prior year average). The member’s annual charge is based on the ratio of each member jurisdiction's usage of space in the detention center during the preceding five fiscal years to the aggregate usage of space by all member jurisdictions during the same five fiscal years.

The Commission has contractual agreements with the Virginia Department of Juvenile Justice to provide detention re-entry placement for juvenile offenders as well as to provide intake assessment services on state ward juveniles to determine if they would benefit from the Community Placement Program.

Unearned Revenue

Unearned revenue consists of funds received by the Commission that have not yet met the criteria for revenue recognition as of the end of the fiscal year. At June 30, 2021, the Commission had unearned revenue of $1,428,975 received from the Department of Juvenile Justice related to the Community Placement Program that will be recognized as revenue when earned in fiscal year 2022.

Estimates

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

2) Cash, Cash Equivalents, and Short-Term Investments

The Commission's cash, cash equivalents, and short-term investments at June 30, 2021, consist of:

Bank deposits	$ 1,794,442
Change fund	964
Amounts held for others	83
Investments	2,090,155
Total	$ 3,885,644

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

The Commission's investments at June 30, 2021, were as follows:

Investment Type	Amount	Maturity
LGIP (amortized cost)	$ 2,090,155	1 day

The Commission utilizes the Investment Policy (Policy) of the James City County Treasurer. In accordance with the *Code of Virginia* and other applicable law, including regulations, the Commission's Policy permits investments in U.S. government obligations, municipal obligations, commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, which measures its investments at amortized cost). The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP.

The Policy establishes limitations on the holdings of non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is as follows:

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

2) Cash, Cash Equivalents, and Short-Term Investments, Continued

Credit Risk

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

As of June 30, 2021, the Commission's investment in LGIP was rated AAAm by Standard & Poor's.

Concentration of Credit Risk

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

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

Interest Rate Risk

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

Custodial Credit Risk

The Policy requires that all investment securities purchased by the Commission or held as collateral on deposits or investments shall be held by the Commission or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2021, all of the Commission's investments are held in a bank's trust department in the Commission's name.

3) Accounts Receivable

Amounts due from miscellaneous sources at June 30, 2021, are as follows:

Federal government	$ 19,314
Commonwealth	18,417
Interest	93
Other	74
Total	$ 37,898

4) Capital Assets

The following is a summary of the capital assets activity for the year ended June 30, 2021:

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021
Capital assets, non-depreciable:				
Land and land improvements	$ 118,354	$ -	$ -	$ 118,354
Construction in progress	814,312	-	(814,312)	-
Total capital assets, non-depreciable	932,666	-	(814,312)	118,354
Capital assets, depreciable:				
Building	6,203,595	1,031,919	-	7,235,514
Machinery and equipment	576,845	41,230	(61,882)	556,193
Improvements other than building	124,935	-	-	124,935
Total capital assets, depreciable	6,905,375	1,073,149	(61,882)	$ 7,916,642
Less accumulated depreciation for:				
Building	3,463,826	192,233	-	3,656,059
Machinery and equipment	438,123	39,464	(48,550)	429,037
Improvements other than building	65,720	4,386	-	70,106
Total accumulated depreciation	3,967,669	236,083	(48,550)	4,155,202
Capital assets, depreciable, net	2,937,706	837,066	(13,332)	3,761,440
Net capital assets	$ 3,870,372	$ 837,066	$ (827,644)	$ 3,879,794

5) Transactions with Related Parties

Certain financial management and accounting services are provided to the Commission by the County. The charges for these services amounted to $29,000 during the year ended June 30, 2021, and are included in professional services in the accompanying statement of revenues, expenses, and changes in net position.

6) Defined Benefit Pension Plan

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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 VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

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

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

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

6) Defined Benefit Pension Plan, Continued

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	1
Inactive members:	
Vested inactive members	16
Non-vested inactive members	34
LTD	-
Active elsewhere in VRS	31
Total inactive members	81
Active members	54
Total covered employees	136

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 contribution rate for the year ended June 30, 2021 was 5.61% 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 was $111,812 for the year ended June 30, 2021.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Commission, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

6) Defined Benefit Pension Plan, Continued

Actuarial Assumptions

The total pension liability for General Employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

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

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

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:

6) Defined Benefit Pension Plan, Continued

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public equity	34.00%	4.65%	1.58%
Fixed income	15.00%	0.46%	0.07%
Credit strategies	14.00%	5.38%	0.75%
Real assets	14.00%	5.01%	0.70%
Private equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP- Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

** The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations, provide a median return of 6.81%.*

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2021 was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

6) Defined Benefit Pension Plan, Continued

Changes in Net Pension Liability (Asset)

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net pension (b)	Net pension liability (asset) (a) - (b)
Balances at June 30, 2019	$ 2,826,094	$ 2,549,306	$ 276,788
Changes for the year:			
Service cost	205,519	-	205,519
Interest	190,451	-	190,451
Change of assumptions	-	-	-
Difference between expected	-	-	-
and actual experience	-	-	-
Contributions - employer	-	123,018	(123,018)
Contributions - employee	-	110,011	(110,011)
Net investment income	-	56,029	(56,029)
Benefit payments, including refunds of employee contributions	(9,197)	(9,197)	-
Administrative expenses	-	497	(497)
Other changes	-	(11,648)	11,648
Net changes	386,773	268,710	118,063
Balances at June 30, 2020	$ 3,212,867	$ 2,818,016	$ 394,851

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 976,254	$ 394,851	$ (68,848)

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

For the year ended June 30, 2021, the Commission recognized pension expense of $159,764. At June 30, 2021, 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
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	150,375	-
Employer contributions subsequent to the measurement date	111,812	-
Total	$ 262,187	$ -

6) Defined Benefit Pension Plan, Continued

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

The $111,812 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 year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Reduction to Pension Expense
2022	$ 41,910
2023	41,910
2024	41,908
2025	24,647
2026	-
Thereafter	-
	$ 150,375

Pension Plan Data

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

7) Other Post-Employment Benefits (OPEB) Liability

Multiple Employer Cost-Sharing Plan – Retiree Healthcare

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

Plan Description

Participants must be eligible to retire under VRS and must be full-time active employees who retire directly from the Commission and are at least 55 years of age with 15 years of service. Each year, retirees participating in the Commission's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. For fiscal year 2021, the pre-Medicare retirees have a choice of two plans offered by Optima. Dental plans are available at the retiree's cost and therefore, there is no employer obligation. There is no coverage for post-Medicare retirees.

Funding Policy

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

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

Actuarial Methods and Assumptions

For the actuarial valuation at January 1, 2020 (measurement date of June 30, 2020), the entry age normal funding method was used. The goal of this method is that the annual accrual (or normal cost) be a level percent of pay throughout an employee's career. This method requires a salary increase assumption. The normal cost percentage is equal to the present value of benefits divided by the present value of future salary determined when the employee was hired. The actuarial accrued liability is equal to the present value of benefits minus the normal cost percentage times the present value of future salaries at the valuation date.

The actuarial assumptions included calculations based on a discount rate of 2.45% for June 30, 2020 for the unfunded liability. Benefits are discounted based on an index rate for 20-year tax exempt general obligation (GO) municipal bonds with an average rating of AA/Aa or higher.

For the actuarial valuation dated January 1, 2020, the medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in October 2010 and updated in September 2019. The following assumptions were used as input variables into this model:

Inflation	2.50%
Rate of growth in real income/ GDP per capita	1.50%
Extra trend due to technology and other factors	1.10%
Expected health share of GDP in 2029	20.00%
Health share of GDP resistance point	25.00%
Year for limiting cost growth to GDP growth	2075

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

The actuarial assumptions included calculations based on salary increases of 3.15%-1.30% (general) and 2.55%-1.30% (public safety) based on years of service. The valuation assumed that 40% of participants currently with coverage will elect coverage upon retirement, and that 30% of participants electing coverage at retirement will elect coverage for their spouse.

Mortality decrements used in the January 1, 2020, valuation:

- Pre-Retirement
  - General: Pub-2010 General Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
  - LEOS: Pub-2010 Public Safety Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
- Post-Retirement
  - General: Pub-2010 General Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
  - LEOS: Pub-2010 Public Safety Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
- Disabled:
  - General: Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
  - LEOS: Pub-2010 Public Safety Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale

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

Changes in Assumptions Since Prior Valuation

- Discount rate was updated to 2.45% (the latest 20-year municipal GO AA Index as of June 30, 2020).
- Mortality assumptions were updated to the latest SOA public sector experience study rates.
- Medical trend was updated based on SOA Long-Run Medical Cost Trend Model.

Retiree Healthcare OPEB Liability

At June 30, 2021, the Commission reported a retiree healthcare OPEB liability of $99,614 for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2021, retiree healthcare OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation performed January 1, 2020. The Commission's proportion of the County's retiree healthcare OPEB liability was based on the Commission's projected long-term contribution effort to the OPEB plan as compared to the total projected long-term contribution effort of all contributing entities to determine the Commission's proportion. At June 30, 2021, the Commission's proportion of the County's retiree healthcare OPEB liability was 1.68%.

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

The following presents the retiree healthcare OPEB liability using the discount rate of 2.45%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%), or one percentage point higher (3.45%), than the current rate:

	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Retiree Healthcare OPEB Liability	$ 109,016	$ 99,614	$ 90,942

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

The following presents the retiree healthcare OPEB liability using the health care cost trend rate of 4.00%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.00%), or one percentage point higher (5.00%), than the current rate:

	1% Decrease (3.00%)	Medical Trend Rate (4.00%)	1% Increase (5.00%)
Retiree Healthcare OPEB Liability	$ 87,075	$ 99,614	$ 114,528

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

For the year ended June 30, 2021, the Commission recognized retiree healthcare OPEB expense of $8,397. Given that there was a change in the proportionate share between measurement dates, a portion of the retiree healthcare OPEB expense was related to deferred amounts from changes in proportion. At June 30, 2021 deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB from the following sources were reported:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 6,161	$ 7,498
Changes of assumptions	4,953	6,156
Change in proportion	5,778	45
Total	$ 16,892	$ 13,699

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

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB as of June 30, 2021, will be recognized in retiree healthcare OPEB expense as follows:

Year Ended		
2022	$	115
2023		115
2024		115
2025		1,108
2026		1,740
Thereafter		-
	$	3,193

Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

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

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

Virginia Local Disability Program

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 Employee Virginia Local Disability Program. 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).

The GLI and VLDP are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. These plans are considered multiple employer, cost sharing plans.

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

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than teachers. 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 health insurance credit 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 General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan.

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	Number
Inactive members or their beneficiaries currently receiving benefits	-
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Active elsewhere in VRS	-
Total inactive members	-
Active members	54
Total covered employees	54

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2019. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2021 Contribution	$12,343

Virginia Local Disability Program

Governed by:	*Code of Virginia* 51.1-1178(C) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	0.83% of covered employee compensation.
June 30, 2021 Contribution	$7,606

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

General Employee Health Insurance Credit Program

Governed by:	*Code of Virginia* 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	0.17% of covered employee compensation.
June 30, 2021 Contribution	$3,915

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

The net OPEB liabilities were measured as of June 30, 2020 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2021 proportionate share of liability	$190,414
June 30, 2020 proportion	0.01141%
June 30, 2019 proportion	0.00580%
June 30, 2021 expense	$35,665

Virginia Local Disability Program

June 30, 2021 proportionate share of liability	$2,587
June 30, 2020 proportion	0.25923%
June 30, 2019 proportion	0.16302%
June 30, 2021 expense	$7,814

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

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

General Employee Health Insurance Credit Program

Changes in net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a) - (b)
Balances at June 30, 2019	$ 22,308	$ 12,154	$ 10,154
Changes for the year:			
Service cost	3,066	-	3,066
Interest	1,506	-	1,506
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Contributions - employer	-	2,865	(2,865)
Net investment income	-	290	(290)
Benefit payments	-	-	-
Administrative expense	-	(44)	44
Other changes	-	1,143	(1,143)
Net changes	4,572	4,254	318
Balances at June 30, 2020	$ 26,880	$ 16,408	$ 10,472

In addition, for the year ended June 30, 2021, the Commission recognized OPEB expense of $2,730 related to the General Employee Health Insurance Credit Program.

At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Group Life Insurance Program

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 12,213	$ 1,710
Net difference between projected and actual investment earnings on OPEB Plan investments	5,720	-
Changes of assumptions	9,523	3,976
Changes in proportionate share	134,440	-
Employer contributions subsequent to the measurement date	12,343	-
Total	$ 174,239	$ 5,686

Virginia Local Disability Program

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 2,096	$ 3,037
Net difference between projected and actual investment earnings on OPEB Plan investments	275	-
Changes of assumptions	120	173
Changes in proportionate share	1,941	-
Employer contributions subsequent to the measurement date	7,606	-
Total	$ 12,038	$ 3,210

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

General Employee Health Insurance Credit Program

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual investment earnings on OPEB Plan investments	$ 766	$ -
Employer contributions subsequent to the measurement date	3,915	-
Total	$ 4,681	$ -

The deferred outflows of resources related to OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

Group Life Insurance Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2022	$ 31,272
2023	32,887
2024	34,361
2025	34,427
2026	20,009
Thereafter	3,254
Total	$ 156,210

Virginia Local Disability Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2022	$ 607
2023	602
2024	607
2025	562
2026	(248)
Thereafter	(908)
Total	$ 1,222

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

General Employee Health Insurance Credit Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2022	$ 211
2023	211
2024	212
2025	132
2026	-
Thereafter	-
Total	$ 766

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.50%
Salary increases, including inflation:	
Locality – General employees	3.5% – 5.35%
Locality – Hazardous duty employees	3.5% – 4.75%
Teachers	3.5% – 5.95%
Investment rate of return	GLI & HIC: 6.75%; net of investment expenses, including inflation*

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

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

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Virginia Local Disability Program
Total OPEB Liability	$ 3,523,937	$ 4,317
Plan Fiduciary Net Position	1,855,102	3,317
Employers' Net OPEB Liability (Asset)	$ 1,668,835	$ 1,000
Plan Fiduciary Net Position as a % of the Total OPEB Liability	52.64%	76.84%

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

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Onvestment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.14%

** The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.*

Discount Rate

The discount rate used to measure the GLI, VLDP, and HIC OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

The following presents the net OPEB liabilities of the Commission, as well as what the Commission's net OPEB liabilities would be as of June 30 2021, 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 discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Commission's proportionate share of the Group Life Insurance Plan Net OPEB Liability	$ 250,314	$ 190,414	$ 141,770
Commission's proportionate share of the Virginia Local Disability Program Net OPEB Liability	$ 3,470	$ 2,587	$ 1,818
General Employee Health Insurance Credit Net OPEB Liability	$ 14,479	$ 10,472	$ 7,142

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

8) Long-Term Liabilities

In November 2019, the Commission entered into a financing lease agreement with SunTrust Equipment Finance & Leasing Corporation for $1,031,919 with an interest rate of 2.52%, to be used to finance facility and energy improvements. The net book value of capital assets purchased under this lease at June 30, 2021, is $997,522, and the Commission had interest payable of $14,623 related to this agreement at June 30, 2021. The term of this lease will be from November 25, 2019 through November 25, 2034. Future minimum payments for this lease with SunTrust Equipment Finance & Leasing Corporation are as follows:

	Principal	Interest
2022	$ 58,896	$ 24,596
2023	60,382	23,109
2024	61,907	21,585
2025	63,469	20,023
2026	65,071	18,421
2027-2031	350,836	66,622
2032-2035	313,912	20,055
Total	$ 974,473	$ 194,411

The Commission entered into a 15-year renewable contract with ABM Building Services, LLC, in August 2019, to provide services related to the energy equipment installation. Beginning twelve months after the completion of the installation, the Commission will pay an annual fee of $1,889 to ABM for services rendered and data analysis related to an energy savings guarantee. The annual fee will be billed in advance and has a 3% escalation rate annually through the year 2036.

8) Long-Term Liabilities, Continued

The Commission's long-term liability activity for the fiscal year ended June 30, 2021 is as follows:

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021	Due within one year
Capital lease	$ 1,031,919	$ -	$ 57,446	$ 974,473	$ 58,896
Net pension liability*	276,788	118,063	-	394,851	-
Net group life insurance OPEB liability	94,382	96,032	-	190,414	-
Retiree healthcare OPEB plan liability	87,783	11,831	-	99,614	-
Net health insurance credit OPEB liability*	10,154	318	-	10,472	-
Net Virginia local disability program OPEB liability	3,302	-	715	2,587	-
Compensated absences	203,378	191,616	203,378	191,616	191,616
Total	$ 1,707,706	$ 417,860	$ 261,539	$ 1,864,027	$ 250,512

* The July 1, 2020 balances reflect the restated liability balances for pensions and health insurance credit OPEB. Prior to fiscal year 2021, data was not available on these liabilities for the Commission, and beginning net position was restated when the previous actuarial data was provided by the Virginia Retirement System in the current fiscal year. Additional information on the restatement is provided in Note 10.

9) COVID-19

During fiscal year 2021, the novel coronavirus disease (COVID-19) impacted the operational and financial activities of the Commission. The Commission incurred $9,142 of operational expenses in response to the COVID-19 pandemic during the fiscal year, related to the purchase of protective, sanitary, and disinfecting supplies, required to adhere to local and state safety protocols, and certain testing costs.

In June 2021, the Commission received reimbursement from the Federal Emergency Management Agency (FEMA) for costs incurred from March 2020 through September 2020 related to COVID-19. The FEMA reimbursement totaled $10,046 and is included in federal government revenues in the accompanying statement of revenues, expenses, and changes in net position for fiscal year 2021.

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

10) Restatement

The net position as of the beginning of fiscal year 2021 was restated to reflect an adjustment to related to the Commission's pension and health insurance credit (HIC) OPEB plans. During fiscal year 2019, the Commission separated from the County's VRS pension and OPEB plans, at which time actuarial information for the Commission's plans was not available. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available. In fiscal year 2021, VRS provided the Commission with a completed separate actuarial valuation, including details on its pension and OPEB expenses, liabilities, and deferred outflows related to prior years, and the related balances have been adjusted as follows:

	6/30/2020 Previously Reported	Restatement	6/30/2020 As Restated
Net pension liability	$ -	$ (276,788)	$ (276,788)
Pension deferred outflow of resources	$ 139,009	$ 53,067	$ 192,076
HIC OPEB asset	$ 12,154	$ (12,154)	$ -
Net HIC OPEB liability	$ -	$ (10,154)	$ (10,154)
Net position - unrestricted	$ (1,925,322)	$ 246,029	$ (1,679,293)

* * * * *

Required Supplementary Information

Middle Peninsula Juvenile Detention Commission
Schedule of Changes in the Net Pension Liability and Related Ratios
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1) *

	2020	2019
Total pension liability		
Service cost	$ 205,519	$ -
Interest	190,451	-
Changes of benefit terms	-	2,826,094
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(9,197)	-
Net change in total pension liability	386,773	2,826,094
Total pension liability, beginning	2,826,094	-
Total pension liability, ending	$ 3,212,867	$ 2,826,094
Plan fiduciary net position		
Contributions - employer	123,018	59,516
Contributions - employee	110,011	51,870
Net investment income	56,029	2,805
Benefit payments, including refunds of employee contributions	(9,197)	-
Administrative expense	497	118
Other	(11,648)	2,434,997
Net change in plan fiduciary net position	268,710	2,549,306
Plan fiduciary net position, beginning	2,549,306	-
Plan fiduciary net position, ending	$ 2,818,016	$ 2,549,306
Net pension liability	$ 394,851	$ 276,788
Plan fiduciary net position as a percentage of the total pension liability	87.71%	90.21%
Covered payroll	$ 2,384,592	$ 1,138,160
Net pension liability as a percentage of the total covered payroll	16.56%	24.32%

(1) This schedule is intended to present 10 years of information. Middle Peninsula Juvenile Detention Commission separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. Additional years will be presented as the information becomes available.

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

See accompanying notes and independent auditor's report.

Middle Peninsula Juvenile Detention Commission
Schedule of Employer Pension Contributions (1)
Required Supplementary Information (Unaudited)

Fiscal year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2021	111,812	111,812	-	2,302,863	4.86%
2020	123,018	123,018	-	2,384,592	5.16%
2019	66,241	66,196	(45)	1,138,160	5.82%

(1) This schedule is intended to present 10 years of information. Middle Peninsula Juvenile Detention Commission separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. Additional years will be presented as the information becomes available.

Middle Peninsula Juvenile Detention Commission
Schedule of Employer's Share of Retiree Healthcare OPEB Liability (1) (2)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

Measurement date as of June 30,	2020	2019	2018	2017
Employer's proportion of the County's Retiree Healthcare OPEB liability	1.68%	1.68%	1.52%	1.52%
Employer's proportionate share of the County's Retiree Healthcare OPEB liability	$ 99,614	$ 87,783	$ 89,406	$ 84,086
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Expected average remaining service years of all participants	6	6	7	7

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018; additional years will be presented as the information becomes available.
(2) This OPEB plan does not depend on salary information.
* The amounts presented have a measurement date of the previous fiscal year end.

See accompanying notes to required supplementary information.

Middle Peninsula Juvenile Detention Commission
Schedule of Changes in the Net OPEB - Health Insurance Credit (HIC) Asset
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1) *

	2020	2019
Total OPEB - HIC liability		
Service cost	$ 3,066	$ -
Interest cost	1,506	-
Changes of benefit terms	-	22,308
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	-	-
Net change in total OPEB - HIC liability	4,572	22,308
Total OPEB - HIC liability, beginning	22,308	-
Total OPEB - HIC liability, ending (a)	$ 26,880	$ 22,308
Plan fiduciary net position - HIC		
Contributions - employer	2,865	1,366
Contributions - employee	-	-
Net investment income	290	33
Benefit payments, including refunds of employee contributions	-	-
Administrative expense	(44)	(2)
Other	1,143	10,757
Net change in plan fiduciary net position - HIC	4,254	12,154
Plan fiduciary net position - HIC, beginning	12,154	-
Plan fiduciary net position - HIC, ending (b)	16,408	12,154
Net OPEB - HIC liability (asset) (a) - (b)	$ 10,472	$ 10,154
Plan fiduciary net position - HIC as a percentage of the total OPEB - HIC liability (1)	38.96%	45.52%
Covered payroll (1)	$ 2,384,592	$ 1,138,160
Net OPEB - HIC liability as a percentage of the total covered payroll (1)	0.44%	0.89%

(1) This schedule is intended to present 10 years of information. Middle Peninsula Juvenile Detention Commission separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. Additional years will be presented as the information becomes available and comparative data will be updated accordingly.

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

See accompanying notes and independent auditor's report.

Middle Peninsula Juvenile Detention Commission
Schedule of Employer's Share of Net Group Life Insurance (GLI) OPEB Liability (1)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

	2020	2019
Employer's proportion of the net GLI OPEB liability	0.01141%	0.00580%
Employer's proportionate share of the net GLI OPEB liability	$ 190,414	$ 94,382
Employer's covered payroll	$ 2,384,592	$ 1,138,160
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	7.99%	8.29%
Plan fiduciary net position as a % of total GLI OPEB liability	52.64%	52.00%

(1) This schedule is intended to present 10 years of information. Middle Peninsula Juvenile Detention Commission separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. Additional years will be presented as the information becomes available.

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

Middle Peninsula Juvenile Detention Commission
Schedule of Employer's Share of
Net Virginia Local Disability Program (VLDP) OPEB Liability (1)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

	2020	2019
Employer's proportion of the net VLDP OPEB liability	0.25923%	0.16302%
Employer's proportionate share of the net VLDP OPEB liability	$ 2,587	$ 3,302
Employer's covered payroll	$ 959,970	$ 503,812
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll	0.27%	0.66%
Plan fiduciary net position as a % of total VLDP OPEB liability	76.84%	49.19%

(1) This schedule is intended to present 10 years of information. Middle Peninsula Juvenile Detention Commission separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. Additional years will be presented as the information becomes available.

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

See accompanying notes and independent auditor's report.

Middle Peninsula Juvenile Detention Commission
Schedule of Employer OPEB Contributions (1)
Required Supplementary Information (Unaudited)

OPEB - Retiree Healthcare (2)

Fiscal Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (Excess)
2021	$ 8,397	$ -	$ 8,397
2020	7,942	-	7,942
2019	7,483	-	7,483
2018	9,776	-	9,776

OPEB - Group Life Insurance (3)

Fiscal Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2021	$ 12,343	$ 12,343	$ -	$ 2,302,863	0.54%
2020	12,495	12,495	-	2,384,592	0.52%
2019	5,964	5,964	-	1,138,160	0.52%

OPEB - Health Insurance Credit (3)

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2021	$ 3,915	$ 3,915	$ -	$ 2,302,863	0.17%
2020	2,865	2,865	-	2,384,592	0.12%
2019	1,366	1,366	-	1,138,160	0.12%

OPEB - Virginia Local Disability Program (3)

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2021	$ 7,606	$ 7,606	$ -	$ 916,435	0.83%
2020	6,912	6,912	-	959,970	0.72%
2019	3,627	3,627	-	503,812	0.72%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018 for OPEB retiree healthcare and fiscal year 2019 for OPEB group life insurance, health insurance credit, and Virginia Local Disability Program when the Middle Peninsula Juvenile Detention Commission separated from James City County's VRS plan; additional years will be presented as the information becomes available.

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

(3) Middle Peninsula Juvenile Detention Commission separated from the County's VRS plan in fiscal year 2019, and therefore, its contributions toward these OPEB plans commenced during that year. No actuarial valuation was performed for fiscal year 2019 for the Commission's specific plan, given that this was the transition year.

See accompanying notes to required supplementary information.

1) Retiree Healthcare OPEB - Trust Arrangement and Funding Policy

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

2) Retiree Healthcare, Group Life Insurance, Health Insurance Credit, and Virginia Local Disability Program OPEB and Pension - Changes of Benefit Terms

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

3) Retiree Healthcare OPEB - Changes of Assumptions

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

Measurement Date	Discount Rate
June 30, 2017	3.58%
June 30, 2018	3.62%
June 30, 2019	3.13%
June 30, 2020	2.45%

4) Group Life Insurance OPEB - Changes of Assumptions

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

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teachers:

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

4) Group Life Insurance OPEB - Changes of Assumptions, Continued

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

JRS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest 10 Locality Employers – General Employees:

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

4) Group Life Insurance OPEB - Changes of Assumptions, Continued

Non-Largest 10 Locality Employers – General Employees:

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

Largest 10 Locality Employers – Hazardous Duty Employees:

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

Non-Largest 10 Locality Employers – Hazardous Duty Employees:

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

5) Health Insurance Credit and Virginia Local Disability Program OPEB - Changes of Assumptions

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

5) Health Insurance Credit and Virginia Local Disability Program OPEB - Changes of Assumptions, Continued

Non-Largest 10 Locality Employers – General Employees:

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

Compliance Section

BROWNEDWARDS
certified public accountants

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

To the Commission Members
Middle Peninsula Juvenile Detention Commission
Williamsburg, 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 Middle Peninsula Juvenile Detention Commission as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Middle Peninsula Juvenile Detention 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Middle Peninsula Juvenile Detention Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Middle Peninsula Juvenile Detention 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 12, 2021

MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

SUMMARY OF COMPLIANCE MATTERS
June 30, 2021

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

STATE COMPLIANCE MATTERS

Code of Virginia

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Procurement Laws

Uniform Disposition of Unclaimed Property Act