Middle Peninsula Juvenile Detention Commission

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

June 30, 2022

Middle Peninsula Juvenile Detention Commission

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BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Middle Peninsula Juvenile Detention Commission
Williamsburg, Virginia

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Summarized Comparative Information

We have previously audited the Middle Peninsula Juvenile Detention Commission's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022, 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 the effectiveness of the Middle Peninsula Juvenile Detention Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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 21, 2022

Middle Peninsula Juvenile Detention Commission
Management's Discussion and Analysis
June 30, 2022

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, 2022.

Financial Highlights

The Commission had an increase in net position of $17,265 for fiscal year 2022. This increase is primarily a result of an increase in operating revenues. Prior year information, to the extent presented here, is provided for comparative purposes only.

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

	6/30/2022	6/30/2021
Current and other assets	$ 3,072,402	$ 3,923,945
Restricted assets	101,686	-
Capital assets, net of accumulated depreciation	3,639,302	3,879,794
Total assets	6,813,390	7,803,739
Deferred outflow of resources	344,354	470,037
Total assets and deferred outflows	$ 7,157,744	$ 8,273,776
Current liabilities	$ 702,091	$ 1,747,473
Noncurrent liabilities	1,063,967	1,613,515
Total liabilities	1,766,058	3,360,988
Deferred inflow of resources	484,228	22,595
Net investment in capital assets	2,663,343	2,905,321
Restricted	101,686	-
Unrestricted	2,142,429	1,984,872
Total net position	4,907,458	4,890,193
Total liabilities, deferred inflows, and net position	$ 7,157,744	$ 8,273,776

Total assets decreased by ($990,349) for the year ending June 30, 2022. This decrease was primarily the result of a decrease in cash related to operating activities.

Total liabilities decreased by ($1,594,930) in fiscal year 2022. This decrease was primarily due to a decrease in unearned revenue related to advanced payments received in fiscal year 2021 that were recognized as revenue in fiscal year 2022 for the community placement program, as well as a decrease in the net pension liability.

For fiscal year 2022, deferred outflows of resources decreased by ($125,683), and deferred inflows of resources increased by $461,633. 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 2022.

At June 30, 2022, net position for the Commission was $4,907,458.

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

	6/30/2022	6/30/2021
Fees from member jurisdictions	$ 1,473,804	$ 1,452,368
Other operating revenues	2,975,301	2,969,243
Total operating revenues	4,449,105	4,421,611
Salaries, wages and benefits	3,598,564	3,532,161
Other expenses	816,638	769,601
Total operating expenses	4,415,202	4,301,762
Operating income (loss)	33,903	119,849
Net nonoperating revenues (expenses)	(16,638)	(49,041)
Change in net position	17,265	70,808
Net position, beginning of year	4,890,193	4,819,385
Net position, end of year	$ 4,907,458	$ 4,890,193

One of the primary sources of revenue for the Commission is the fees from the member jurisdictions for which they serve. For fiscal year 2022, fees from member jurisdiction increased by 1.5%. The fees from member jurisdictions are based on a five-year rolling average and fluctuate year-to-year based on anticipated expenses and expected income from other sources when the budget is adopted.

Other operating revenues consist primarily of funds from the state and federal governments. In fiscal year 2022, this amount increased by $6,058 from 2021, primarily as a result of an increase in state reimbursements and assessments.

Salaries, wages, and benefits accounted for 81.5% of the Commission's total operating expenses in fiscal year 2022. Personnel costs increased by $66,403 in 2022 primarily due to implementation of the results of a salary study during the fiscal year.

Other operating expenses increased by $47,037 from 2021, primarily due to an increase in the use of supplies and professional services.

For 2022, net nonoperating revenues (expenses) consisted of interest earned on investments, interest expense, and gains on the disposal of capital assets.

Total net position increased by $17,265 for the fiscal year ended June 30, 2022, mainly due to the reasons enumerated above.

Capital Assets

	6/30/2022	6/30/2021
Nondepreciable	$ 118,354	$ 118,354
Depreciable, net	3,520,948	3,761,440
Capital assets, net	$ 3,639,302	$ 3,879,794

For fiscal year 2022, the decrease 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, 2022

	6/30/2022	6/30/2021*
Assets and Deferred Outflows of Resources		
Current assets		
Cash and short-term investments (Note 2)	$ 3,041,506	$ 3,885,644
Accounts receivable (Note 3)	28,368	37,898
Due from James City County	2,528	403
Total current assets	3,072,402	3,923,945
Restricted assets		
Pension asset, net (Note 6)	99,376	-
Virginia local disability program OPEB asset (Note 7)	2,310	-
Total restricted assets	101,686	-
Capital assets (Note 4)		
Nondepreciable	118,354	118,354
Depreciable, net	3,520,948	3,761,440
Capital assets, net	3,639,302	3,879,794
Total assets	6,813,390	7,803,739
Deferred outflows of resources		
Deferred pension outflows (Note 6)	175,003	262,187
Deferred retiree healthcare OPEB plan (Note 7)	12,532	16,892
Deferred group life insurance OPEB plan (Note 7)	140,434	174,239
Deferred health insurance credit OPEB plan (Note 7)	6,550	4,681
Deferred Virginia local disability program OPEB plan (Note 7)	9,835	12,038
Total deferred outflows of resources	344,354	470,037
Total assets and deferred outflows of resources	$ 7,157,744	$ 8,273,776
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Accounts payable	$ 52,520	$ 39,607
Interest payable	13,739	14,623
Accrued payroll	21,191	13,756
Unearned revenue	360,180	1,428,975
Long-term liabilities (Notes 6, 7 and 8):		
Due within one year	254,461	250,512
Due in more than one year	1,063,967	1,613,515
Total liabilities	1,766,058	3,360,988
Deferred inflow of resources		
Deferred pension inflows (Note 6)	382,884	-
Deferred retiree healthcare OPEB plan (Note 7)	40,303	13,699
Deferred group life insurance OPEB plan (Note 7)	52,936	5,686
Deferred health insurance credit OPEB plan (Note 7)	2,411	-
Deferred Virginia local disability program OPEB plan (Note 7)	5,694	3,210
Total deferred inflows of resources	484,228	22,595
Net position		
Net investment in capital assets	2,723,725	2,905,321
Restricted for pensions and Virginia local disability program OPEB	101,686	-
Unrestricted	2,082,047	1,984,872
Total net position	4,907,458	4,890,193
Total liabilities, deferred inflow of resources, and net position	$ 7,157,744	$ 8,273,776

* 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, 2022

	6/30/2022	6/30/2021*
Operating revenues		
Fees from member jurisdictions	$ 1,473,804	$ 1,452,368
Commonwealth of Virginia	2,885,996	2,877,851
Federal government	84,305	84,447
Fees from nonmember jurisdictions	-	1,357
Other	5,000	5,588
Total operating revenues	4,449,105	4,421,611
Operating expenses		
Salaries and wages	2,681,065	2,517,542
Employee benefits	917,499	1,014,619
Depreciation	240,492	236,083
Supplies	197,589	189,457
Professional services	173,572	137,777
Utilities	95,802	88,392
Miscellaneous	56,893	41,299
Insurance	20,588	17,377
Training	4,688	2,635
Minor furniture and equipment	27,014	44,014
COVID-19 pandemic costs	-	9,142
Capital improvements	-	3,425
Total operating expenses	4,415,202	4,301,762
Operating income	33,903	119,849
Nonoperating revenues (expenses)		
Interest income	6,733	4,959
Interest expense	(23,712)	(40,668)
Gain on disposal of capital assets	341	(13,332)
Total nonoperating revenues (expenses), net	(16,638)	(49,041)
Change in net position	17,265	70,808
Net position, beginning of year	4,890,193	4,819,385
Net position, end of year	$ 4,907,458	$ 4,890,193

* 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, 2022

		6/30/2022		6/30/2021*
Cash flows from operating activities:				
Cash received from customers	$	3,389,977	$	5,463,734
Cash payments to suppliers for goods and services		(563,233)		(524,391)
Cash payments for personnel services		(3,592,202)		(3,462,691)
Net cash provided (used) by operating activities		(765,458)		1,476,652
Cash flows from capital and related financing activities:				
Repayment of financing lease		(58,896)		(57,446)
Interest paid		(24,596)		(26,046)
Acquisition and construction of capital assets		-		(331,164)
Proceeds from sale of capital assets		341		26
Net cash used by capital and financing activities		(83,151)		(414,630)
Cash flows from investment activities:				
Interest received		4,471		5,613
Increase (decrease) in cash and short-term investments		(844,138)		1,067,635
Cash, cash equivalents, and short-term investments, beginning of year		3,885,644		2,818,009
Cash, cash equivalents, and short-term investments, end of year	$	3,041,506	$	3,885,644
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$	33,903	$	119,849
Adjustments to reconcile operating income to cash provided (used) by operating activities:				
Depreciation		240,492		236,083
Pension expense, net of employer contributions		(24,159)		47,952
Retiree healthcare OPEB expense, net of employer contributions		479		1,481
Group life insurance OPEB expense, net of employer contributions		20,457		23,579
Health insurance credit OPEB expense, net of employer contributions		(103)		(1,185)
Virginia local disability program OPEB expense, net of employer contributions		(210)		160
Changes in operating assets and liabilities:				
Accounts receivable		11,792		(26,703)
Due from James City County		(2,125)		31
Accounts payable		12,913		9,127
Accrued payroll		7,435		9,245
Compensated absences		2,463		(11,762)
Unearned revenue		(1,068,795)		1,068,795
Total adjustments		(799,361)		1,356,803
Net cash provided (used) by operating activities	$	(765,458)	$	1,476,652
Noncash investing activity:				
Interest income included in accounts receivable at June 30	$	2,354	$	92

* 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, 2022, the Commission had unearned revenue of $360,180 received from the Department of Juvenile Justice related to the Community Placement Program that will be recognized as revenue when earned in fiscal year 2023.

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.

1) Summary of Significant Accounting Policies, Continued

Adoption of New Accounting Statement

For fiscal year 2022, the Commission implemented GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of this pronouncement did not require a restatement of net position by the Commission, but it resulted in the reevaluation of the Commission's existing arrangements. The capital lease reported in fiscal year 2021 related to energy-saving equipment is considered a financed purchase under the new standard. Future lease agreements that the Commission enters into will be evaluated under this pronouncement to determine proper accounting treatment.

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

The Commission's cash, cash equivalents, and short-term investments at June 30, 2022, consist of:

Bank deposits	$ 545,898
Change fund	964
Amounts held for others	17
Investments	2,494,627
Total	$ 3,041,506

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, 2022, were as follows:

Investment Type	Amount	Maturity
LGIP (amortized cost)	$ 2,494,627	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.

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

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

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, 2022, 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, 2022, 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, 2022, are as follows:

Federal government	$ 15,992
Commonwealth	10,022
Interest	2,354
Total	$ 28,368

4) Capital Assets

The following is a summary of the capital assets activity for the year ended June 30, 2022:

	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022
Capital assets, non-depreciable:				
Land and land improvements	$ 118,354	$ -	$ -	$ 118,354
Capital assets, depreciable:				
Building	7,235,514	-	-	7,235,514
Machinery and equipment	556,193	-	(9,700)	546,493
Improvements other than building	124,935	-	-	124,935
Total capital assets, depreciable	7,916,642	-	(9,700)	$ 7,906,942
Less accumulated depreciation for:				
Building	3,656,059	209,432	-	3,865,491
Machinery and equipment	429,037	26,674	(9,700)	446,011
Improvements other than building	70,106	4,386	-	74,492
Total accumulated depreciation	4,155,202	240,492	(9,700)	4,385,994
Capital assets, depreciable, net	3,761,440	(240,492)	-	3,520,948
Net capital assets	$ 3,879,794	$ (240,492)	$ -	$ 3,639,302

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, 2022, 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.

6) Defined Benefit Pension Plan, Continued

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

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	1
Inactive members:	
Vested inactive members	13
Non-vested inactive members	40
Long term disability	-
Active elsewhere in VRS	36
Total inactive members	89
Active members	49
Total covered employees	139

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, 2022 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 $113,198 for the year ended June 30, 2022.

Net Pension Liability (Asset)

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

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, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation:	
Locality – General employees	3.50% – 5.35%
Investment rate of return	6.75%, net of 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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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%	5.00%	1.70%
Fixed income	15.00%	0.57%	0.09%
Credit strategies	14.00%	4.49%	0.63%
Real assets	14.00%	4.76%	0.67%
Private equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP- Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.39%

** The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations, provide a median return of 7.11%, including expected inflation of 2.50%.*

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022 was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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, 2020	$ 3,212,867	$ 2,818,016	$ 394,851
Changes for the year:			
Service cost	217,765	-	217,765
Interest	216,044	-	216,044
Change of assumptions	101,169	-	101,169
Difference between expected and actual experience	(9,394)	-	(9,394)
Contributions - employer	-	111,812	(111,812)
Contributions - employee	-	105,979	(105,979)
Net investment income	-	803,698	(803,698)
Benefit payments, including refunds of employee contributions	(24,444)	(24,444)	-
Administrative expenses	-	(1,756)	1,756
Other changes	-	78	(78)
Net changes	501,140	995,367	(494,227)
Balances at June 30, 2021	$ 3,714,007	$ 3,813,383	$ (99,376)

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 556,312	$ (99,376)	$ (618,233)

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

For the year ended June 30, 2022, the Commission recognized pension expense of $89,040. At June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ -	$ 5,739
Changes of assumptions	61,804	-
Net difference between projected and actual earnings on plan investments	-	377,145
Employer contributions subsequent to the measurement date	113,198	-
Total	$ 175,002	$ 382,884

6) Defined Benefit Pension Plan, Continued

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

The $113,198 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 (Asset) in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Reduction to Pension Expense
2023	$ (43,783)
2024	(59,140)
2025	(96,756)
2026	(121,401)
2027	-
Thereafter	-
	$ (321,080)

Pension Plan Data

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

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 2022, the pre-Medicare retirees have a choice of two plans offered by Optima. Dental plans are available at the retiree's cost and therefore, there is no employer obligation. There is no coverage for post-Medicare retirees.

Funding Policy

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

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

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

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

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

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

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

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

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

Changes in Assumptions Since Prior Valuation

- Discount rate was updated to 1.92% (the latest 20-year municipal GO AA Index as of June 30, 2021).
- 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, 2022, the Commission reported a retiree healthcare OPEB liability of $69,129 for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2022, retiree healthcare OPEB liability was measured as of June 30, 2021, and was determined by an actuarial valuation performed April 1, 2022. The 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, 2022, the Commission's proportion of the County's retiree healthcare OPEB liability was 1.57%.

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

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

	1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
Retiree Healthcare OPEB Liability	$ 75,807	$ 69,129	$ 62,959

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

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

	1% Decrease (2.94%)	Medical Trend Rate (3.94%)	1% Increase (4.94%)
Retiree Healthcare OPEB Liability	$ 61,041	$ 69,129	$ 78,625

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

For the year ended June 30, 2022, the Commission recognized retiree healthcare OPEB expense of $796. 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, 2022 deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB from the following sources were reported:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 4,495	$ 29,906
Changes of assumptions	3,703	5,102
Change in proportion	4,334	5,295
Total	$ 12,532	$ 40,303

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, 2022, will be recognized in retiree healthcare OPEB expense as follows:

Year Ended		
2022	$	(7,601)
2023		(7,601)
2024		(6,446)
2025		(5,565)
2026		559
Thereafter		(1,117)
	$	(27,771)

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 is considered a multi-employer agent plan.

As of the June 30, 2020 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	1
Non-vested inactive members	-
Active elsewhere in VRS	-
Total inactive members	1
Active members	49
Total covered employees	50

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2020. 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, 2022 Contribution	$12,236

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, 2022 Contribution	$6,804

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, 2022 Contribution	$3,881

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

The net OPEB liabilities (assets) were measured as of June 30, 2021 and the total OPEB liabilities used to calculate the net OPEB liabilities (assets) were determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The Commission's proportion of the net OPEB liabilities (assets) were based on the Commission's actuarially determined employer contributions for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2022 proportionate share of liability	$129,816
June 30, 2021 proportion	0.01115%
June 30, 2020 proportion	0.01141%
June 30, 2022 expense	$32,816

Virginia Local Disability Program

June 30, 2022 proportionate share of (asset)	($2,310)
June 30, 2021 proportion	0.22812%
June 30, 2020 proportion	0.25923%
June 30, 2022 expense	$6,602

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, 2020	$ 26,880	$ 16,408	$ 10,472
Changes for the year:			
Service cost	3,230	-	3,230
Interest	1,815	-	1,815
Changes in assumption	(87)	-	(87)
Difference between expected and actual experience	3,094	-	3,094
Contributions - employer	-	3,915	(3,915)
Net investment income	-	4,851	(4,851)
Benefit payments	-	-	-
Administrative expense	-	(69)	69
Other changes	-	-	-
Net changes	8,052	8,697	(645)
Balances at June 30, 2021	$ 34,932	$ 25,105	$ 9,827

In addition, for the year ended June 30, 2022, the Commission recognized OPEB expense of $3,778 related to the General Employee Health Insurance Credit Program.

At June 30, 2022, 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	$ 14,806	$ 989
Net difference between projected and actual investment earnings on OPEB Plan investments	-	30,984
Changes of assumptions	7,157	17,762
Changes in proportionate share	106,235	3,201
Employer contributions subsequent to the measurement date	12,236	-
Total	$ 140,434	$ 52,936

Virginia Local Disability Program

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 1,372	$ 3,460
Net difference between projected and actual investment earnings on OPEB Plan investments	-	1,288
Changes of assumptions	78	626
Changes in proportionate share	1,581	320
Employer contributions subsequent to the measurement date	6,804	-
Total	$ 9,835	$ 5,694

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

General Employee Health Insurance Credit Program

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 2,669	$ -
Net difference between projected and actual investment earnings on OPEB Plan investments	-	2,336
Change of assumptions	-	75
Employer contributions subsequent to the measurement date	3,881	$ -
Total	$ 6,550	$ 2,411

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, 2023.

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
2023	$ 21,102
2024	22,543
2025	22,607
2026	8,296
2027	714
Thereafter	-
Total	$ 75,262

Virginia Local Disability Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2023	$ (258)
2024	(253)
2025	(296)
2026	(1,037)
2027	(276)
Thereafter	(543)
Total	$ (2,663)

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

General Employee Health Insurance Credit Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2023	$ (99)
2024	(98)
2025	(178)
2026	(309)
2027	413
Thereafter	529
Total	$ 258

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2020, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

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

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

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

Net OPEB Liabilities (Assets)

The net OPEB liabilities (assets) 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, 2021, 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	$ 3,577,346	$ 5,156
Plan Fiduciary Net Position	2,413,074	6,166
Employers' Net OPEB Liability (Asset)	$ 1,164,272	$ (1,010)
Plan Fiduciary Net Position as a % of the Total OPEB Liability	67.45%	119.59%

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 (asset) 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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Onvestment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.39%

** The above allocation provides for a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.*

Discount Rate

The discount rate used to measure the GLI, 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, 2021, 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, 2021 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

The following presents the net OPEB liabilities (assets) of the Commission, as well as what the Commission's net OPEB liabilities (assets) would be as of June 30 2022, 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	$ 189,666	$ 129,816	$ 81,484
Commission's proportionate share of the Virginia Local Disability Program Net OPEB (Asset)	$ (1,237)	$ (2,310)	$ (3,240)
General Employee Health Insurance Credit Net OPEB Liability	$ 14,999	$ 9,827	$ 5,547

OPEB Plan Fiduciary Net Position

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

8) Long-Term Liabilities

In November 2019, the Commission entered into a financed purchase 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 financed purchase at June 30, 2022, is $945,926, and the Commission had interest payable of $13,739 related to this agreement at June 30, 2022. The term of this financed purchase will be from November 25, 2019 through November 25, 2034. Future minimum payments for this agreement with SunTrust Equipment Finance & Leasing Corporation are as follows:

	Principal	Interest
2023	$ 60,382	$ 23,109
2024	61,907	21,585
2025	63,469	20,023
2026	65,071	18,421
2027	66,713	16,778
2028-2032	359,692	57,768
2033-2035	238,343	12,131
Total	$ 915,577	$ 169,815

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 first payment of this annual fee was made in fiscal year 2022. 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, 2022 is as follows:

	Balance 7/1/2021	Increases	Decreases	Balance 6/30/2022	Due within one year
Financed purchase agreement	$ 974,473	$ -	$ 58,896	$ 915,577	$ 60,382
Net pension liability (asset)*	394,851	-	494,227	(99,376)	-
Net group life insurance OPEB liability	190,414	-	60,598	129,816	-
Retiree healthcare OPEB plan liability	99,614	-	30,485	69,129	-
Net health insurance credit OPEB liability	10,472	-	645	9,827	-
Net Virginia local disability program OPEB liability (asset)*	2,587	-	4,897	(2,310)	-
Compensated absences	191,616	194,079	191,616	194,079	194,079
Total	$ 1,864,027	$ 194,079	$ 841,364	$ 1,216,742	$ 254,461

*At June 30, 2022, the Commission recognized a net pension asset and a net Virginia local disability program asset based on activity in these postemployment benefits during the fiscal year. These assets are reported as restricted assets on the Commission's Statement of Net Position.

9) COVID-19

During fiscal year 2022 and prior fiscal years, the novel coronavirus disease (COVID-19) impacted the operational and financial activities of the Commission. In June 2022, the Commission received reimbursement from the Federal Emergency Management Agency (FEMA) for medical expenses incurred during fiscal years 2021 and 2022 related to COVID-19 that were determined to be eligible costs. The FEMA reimbursement totaled $10,768 and is included in federal government revenues in the accompanying statement of revenues, expenses, and changes in net position for fiscal year 2022.

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.

* * * * *

Required Supplementary Information

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

	2021	2020	2019
Total pension liability			
Service cost	$ 217,765	$ 205,519	$ -
Interest	216,044	190,451	-
Changes of benefit terms	-	-	2,826,094
Differences between expected and actual experience	(9,394)	-	-
Changes in assumptions	101,169	-	-
Benefit payments, including refunds of employee contributions	(24,444)	(9,197)	-
Net change in total pension liability	501,140	386,773	2,826,094
Total pension liability, beginning	3,212,867	2,826,094	-
Total pension liability, ending	$ 3,714,007	$ 3,212,867	$ 2,826,094
Plan fiduciary net position			
Contributions - employer	111,812	123,018	59,516
Contributions - employee	105,979	110,011	51,870
Net investment income	803,698	56,029	2,805
Benefit payments, including refunds of employee contributions	(24,444)	(9,197)	-
Administrative expense	(1,756)	497	118
Other	78	(11,648)	2,434,997
Net change in plan fiduciary net position	995,367	268,710	2,549,306
Plan fiduciary net position, beginning	2,818,016	2,549,306	-
Plan fiduciary net position, ending	$ 3,813,383	$ 2,818,016	$ 2,549,306
Net pension liability (asset)	$ (99,376)	$ 394,851	$ 276,788
Plan fiduciary net position as a percentage of the total pension liability	102.68%	87.71%	90.21%
Covered payroll	$ 2,302,863	$ 2,384,592	$ 1,138,160
Net pension liability (asset) as a percentage of the total covered payroll	(4.32)%	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
2022	$ 113,198	$ 113,198	$ -	$ 2,282,827	4.96%
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,	**2021**	**2020**	**2019**	**2018**	**2017**
Employer's proportion of the County's Retiree Healthcare OPEB liability	1.57%	1.68%	1.68%	1.52%	1.52%
Employer's proportionate share of the County's Retiree Healthcare OPEB liability	$ 69,129	$ 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%	0.00%
Expected average remaining service years of all participants	5	6	6	7	7

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

See accompanying notes to required supplementary information.

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

	2021	2020	2019
Total OPEB - HIC liability			
Service cost	$ 3,230	$ 3,066	$ -
Interest cost	1,815	1,506	-
Changes of benefit terms	-	-	22,308
Differences between expected and actual experience	3,094	-	-
Changes in assumptions	(87)	-	-
Benefit payments, including refunds of employee contributions	-	-	-
Net change in total OPEB - HIC liability	8,052	4,572	22,308
Total OPEB - HIC liability, beginning	26,880	22,308	-
Total OPEB - HIC liability, ending (a)	$ 34,932	$ 26,880	$ 22,308
Plan fiduciary net position - HIC			
Contributions - employer	3,915	2,865	1,366
Contributions - employee	-	-	-
Net investment income	4,851	290	33
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	(69)	(44)	(2)
Other	-	1,143	10,757
Net change in plan fiduciary net position - HIC	8,697	4,254	12,154
Plan fiduciary net position - HIC, beginning	16,408	12,154	-
Plan fiduciary net position - HIC, ending (b)	25,105	16,408	12,154
Net OPEB - HIC liability (asset) (a) - (b)	$ 9,827	$ 10,472	$ 10,154
Plan fiduciary net position - HIC as a percentage of the total OPEB - HIC liability (1)	28.13%	38.96%	45.52%
Covered payroll (1)	$ 2,302,863	$ 2,384,592	$ 1,138,160
Net OPEB - HIC liability as a percentage of the total covered payroll (1)	0.43%	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*

	2021	2020	2019
Employer's proportion of the net GLI OPEB liability	0.01115%	0.01141%	0.00580%
Employer's proportionate share of the net GLI OPEB liability	$ 129,816	$ 190,414	$ 94,382
Employer's covered payroll	$ 2,302,863	$ 2,384,592	$ 1,138,160
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	5.64%	7.99%	8.29%
Plan fiduciary net position as a % of total GLI OPEB liability	67.45%	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 (Asset) (1)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

	2021	2020	2019
Employer's proportion of the net VLDP OPEB liability (asset)	0.22812%	0.25923%	0.16302%
Employer's proportionate share of the net VLDP OPEB liability (asset)	$ (2,310)	$ 2,587	$ 3,302
Employer's covered payroll	$ 916,435	$ 959,970	$ 503,812
Employer's proportionate share of the net VLDP OPEB liability (asset) as a percentage of its covered payroll	-0.25%	0.27%	0.66%
Plan fiduciary net position as a % of total VLDP OPEB liability	119.59%	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)
2022	$ 796	$ -	$ 796
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
2022	$ 12,236	$ 12,236	$ -	$ 2,282,827	0.54%
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
2022	$ 3,881	$ 3,881	$ -	$ 2,282,827	0.17%
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
2022	$ 6,804	$ 6,804	$ -	$ 819,781	0.83%
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, 2018	3.62%
June 30, 2019	3.13%
June 30, 2020	2.45%
June 30, 2021	1.92%

4) Group Life Insurance OPEB - Changes of Assumptions

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

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality rates. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Teachers:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality rates. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality rates. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61,63, and 64 with 26 or more years of service; changed final retirement age from 66 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality rates. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

JRS Employees:

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

Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality rates. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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)	Update to PUB2010 public sector mortality rates. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Largest 10 Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality rates. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MO-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest 10 Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality rates. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MO-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

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

Non-Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Compliance Section

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

To the Board of Directors of
Middle Peninsula Juvenile Detention Commission
Williamsburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Middle Peninsula Juvenile Detention Commission (the "Commission") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 21, 2022.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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 21, 2022

MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

SUMMARY OF COMPLIANCE MATTERS
June 30, 2022

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards,* we performed tests of the 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