

*Hampton Roads
Regional Jail Authority*



Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2024

Hampton Roads Regional Jail Authority

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024

2690 Elmhurst Lane
Portsmouth, Virginia 23701-2745

Prepared by the Finance Division

William Anderson
Superintendent

Deborah J. Hand
Director of Administration

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Annual Financial Report
Fiscal Year Ended June 30, 2024**

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***Hampton Roads
Regional Jail Authority
Board Members***

Chairman Robert Geis (Chesapeake)

Vice Chairman Peter Buryk (Norfolk)

Deputy City Manager Brian DeProfio (Hampton)

Cory Cloud (Newport News)

Trey Burke (Portsmouth)

FINANCIAL SECTION



Independent Auditors' Report

**To the Members of
Hampton Roads Regional Jail Authority
Portsmouth, Virginia**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Hampton Roads Regional Jail Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Hampton Roads Regional Jail Authority'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 and the aggregate remaining fund information of Hampton Roads Regional Jail Authority, as of June 30, 2024, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hampton Roads Regional Jail Authority, 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 opinions.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the Authority ceased holding inmates in April 2024 and sold the building and other assets in September 2024. Administrative functions to close out operations and dispose of assets will be performed with a small complement of employees who will remain on staff through April 1, 2026.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Hampton Roads Regional Jail Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hampton Roads Regional Jail Authority'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 Hampton Roads Regional Jail Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2026, on our consideration of Hampton Roads Regional Jail Authority'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 Hampton Roads Regional Jail Authority'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 Hampton Roads Regional Jail Authority's internal control over financial reporting and compliance.

Robinson Faren Cox Associates

Charlottesville, Virginia
March 31, 2026

HAMPTON ROADS REGIONAL JAIL AUTHORITY MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Hampton Roads Regional Jail Authority’s financial performance provides an overview of the Authority’s financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the transmittal letter at the front of this report and the Authority’s financial statements, which follow in this section.

Financial Highlights

- The Authority’s net position increased by \$5.1 million or 21%, as a result of this year’s operating and non-operating financial activities.
- Operating revenues decreased approximately \$13.4 million from FY2023 revenues or 33.2%, and operating expenses decreased by \$9.9 million, or 31%.
- The cause of the decrease in operating revenues was the result of the Authority’s decision at the October 2023 board meeting to cease inmate and jail operations by April 1, 2024, and close the Authority permanently on April 1, 2026. This vote initiated a process to return all inmates to their original city jails before April 1, 2024. This resulted in a decrease in local per diem payments for the year. The reduced inmate population also resulted in the reduction of Commonwealth per diems. No Commonwealth per diems were received after March 2024. On April 1, 2024, the Authority’s staffing level was reduced by 95%. This resulted in no further Commonwealth salary reimbursements after May 2024.
- The reduction in operating expenses was the result of the reduction in the cost for inmate care and the reduction in salary and benefit expenses.
- Nonoperating expenses reflect a decrease of \$6.2 million. A member rebate for underutilized inmate beds was not paid in 2024.
- The Authority’s net investment in capital assets increased by approximately \$18.3 million, or 1,968.89%. This is due to the defeasance of all outstanding debt and a roof replacement project that was begun before the decision to close the Authority. The Authority board voted to complete that project to improve the marketability of the building.

Using This Annual Report

The Financial Section of the Annual Comprehensive Financial Report consists of Management’s Discussion and Analysis and the basic financial statements including notes that explain in more detail some of the information in the financial statements. This discussion and analysis are intended to serve as an introduction to the Authority’s basic financial statements as well as management’s examination and analysis of financial condition and performance. Summary financial data, key financial and operational indicators contained in the Authority’s budget and other management tools were used for this analysis.

The Authority’s financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer both short and long-range financial information about its activities. The Statement of Net Position includes the nature and amounts of investments in resources (assets) and deferred outflows of resources and obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing the rate of return, evaluation of the capital structure and assessing the liquidity and financial flexibility of the Authority. The Statement of Revenues, Expenses and Changes in Net Position contains all of the current year’s revenue and expenses. This statement measures the success of the Authority’s operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its per diem charges and other revenues, profitability and credit worthiness.

Using This Annual Report: (Continued)

The final required operating financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the cash receipts and cash payments made by the Authority during the fiscal year. The statement reports cash receipts and cash payments and net changes in cash and cash equivalents resulting from operations, investing and capital and non-capital financing activities, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

Fiduciary financial statements are also presented. The statement of fiduciary net position presents the assets and liabilities of funds held on behalf of inmates. These funds are not reflected with other Authority activity because the resources of those funds are not available to support the Authority's own programs. The statement of changes in fiduciary net position presents information showing the activity in fiduciary funds during the most recent fiscal year. The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the financial statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

Financial Analysis

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help to determine the financial health of the Authority. These two statements report the net position of the Authority and changes to it. The difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position, is one way to measure financial health or financial position. Over time, increases or decreases in Authority net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population, service area growth, changes in accounting standards and new or changed legislation.

The Authority's total net position increased from last year by a net amount of approximately \$5.1 million. The following analysis focuses on the change in net position and the resulting changes in assets and liabilities.

(in thousands)	2024	2023	Amount Change	% Change
Capital assets	\$ 19,249	\$ 17,527	\$ 1,722	9.82%
Restricted assets	21	4,500	227	5.04%
Current assets	17,319	36,807	(727)	(1.98)%
Total assets	\$ 36,589	\$ 58,834	\$ (22,245)	(37.81)%
Deferred outflows of resources	\$ 1,321	\$ 3,184	\$ (1,863)	(58.51)%
Long-term liabilities	\$ 2,956	\$ 20,041	\$ (17,085)	(85.25)%
Current liabilities	1,542	12,709	(11,167)	(87.87)%
Total liabilities	\$ 4,498	\$ 32,750	\$ (28,252)	(86.27)%
Deferred inflows of resources	\$ 3,231	\$ 4,228	\$ (997)	(23.58)%
Net investment in capital assets	\$ 19,220	\$ 929	\$ 18,291	1968.89%
Restricted	181	4,740	(4,559)	(96.18)%
Unrestricted	10,781	19,371	(8,590)	(44.34)%
Total net position	\$ 30,182	\$ 25,040	\$ 5,142	20.54%

Financial Analysis (Continued)

The changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position:

(in thousands)	2024	2023	Amount Change	% Change
Operating revenues				
Commonwealth of Virginia per diems, net	\$ 263	\$ 611	\$ (348)	(56.96)%
Commonwealth of Virginia reimbursements	10,076	12,069	(1,993)	(16.51)%
Member per diems	16,433	27,074	(10,641)	(39.30)%
Telephone revenue	131	337	(206)	(61.13)%
Inmates commissary sales commissions	51	149	(98)	(65.77)%
Inmates keep fees	25	67	(42)	(62.69)%
Employee canteen sales commissions	2	3	(1)	(33.33)%
Miscellaneous	94	203	(109)	(53.69)%
Total operating revenues	<u>\$ 27,075</u>	<u>\$ 40,513</u>	<u>\$ (13,438)</u>	<u>(33.17)%</u>
Nonoperating revenues				
Investment income	\$ 441	\$ 292	\$ 149	51.03%
Behavioral Health Grant	102	322	(220)	(68.32)%
COVID-19 and ARPA Grants	168	138	30	21.74%
Gain (loss) on disposal	(50)	(55)	5	(0.09)%
Total revenues	<u>\$ 27,736</u>	<u>\$ 41,210</u>	<u>\$ (13,474)</u>	<u>(32.70)%</u>
Operating expenses				
Jail operations				
Personal services	\$ 8,118	\$ 10,076	\$ (1,958)	(19.43)%
Employee benefits	433	2,460	(2,027)	(82.40)%
Medical services	5,197	9,149	(3,952)	(43.20)%
Other purchased services	1,495	3,039	(1,544)	(50.81)%
Other charges	2,648	2,676	(28)	(1.05)%
Materials and supplies	114	439	(325)	(74.03)%
Noncapital equipment	561	57	504	884.21%
Inmates commissary	130	206	(76)	(36.89)%
Employees canteen	-	1	(1)	(100.00)%
Behavioral Health Grant	97	352	(255)	(72.44)%
Depreciation	3,233	3,457	(224)	(6.48)%
Total operating expenses	<u>\$ 22,026</u>	<u>\$ 31,912</u>	<u>\$ (9,886)</u>	<u>(30.98)%</u>
Nonoperating expenses				
Interest and fiscal charges	\$ 568	\$ 890	\$ (322)	(36.18)%
Member rebate	-	5,908	(5,908)	(100.00)%
Total expenses	<u>\$ 22,594</u>	<u>\$ 38,710</u>	<u>\$ (16,116)</u>	<u>(41.63)%</u>
Change in net position	\$ 5,142	\$ 2,500	\$ 2,642	105.68%
Beginning net position	<u>25,040</u>	<u>22,540</u>	<u>2,500</u>	<u>11.09%</u>
Ending net position	<u><u>\$ 30,182</u></u>	<u><u>\$ 25,040</u></u>	<u><u>\$ 5,142</u></u>	<u><u>20.54%</u></u>

Financial Analysis (Continued)

Operating revenues decreased by 33.2% in FY2024 compared to FY2023. Member per diems payments decreased by \$10.6 million or 39.3% in FY2024. Commonwealth per diems decreased 57%. This was due to the significant decrease in the inmate population from July 2023 through March 2024 and zero inmates after April 1, 2024. Commonwealth reimbursements decreased 16.5% as a result of a 95% workforce reduction after April 1, 2024. Inmate keep fees decreased by 62.7%, telephone revenue decreased by 61% and inmate commissary revenue decreased by 65.8%. The decreases are all due to the decrease in inmate population. Total revenue decreased by \$13.5 million or 32.7% in FY2024. This is primarily due to the decrease in the Commonwealth reimbursements and member per diem payments.

Operating expenses decreased \$9.9 million or 31% from FY2023. This is primarily due to decreases in personal services of \$2 million or 19.4%, decrease in employee benefits of \$2 million or 82.4% and decrease of inmate medical services of \$4 million or 43.2%. As a result of the reduced inmate population and the cessation of jail operations on April 1, 2024, other purchased services decreased \$1.5 million or 50.8%.

There are three categories of net position: Net Investment in Capital Assets, Restricted and Unrestricted. The amounts set aside for Operating Reserve and Capital Repair and Replacement are reported in the combined total of Unrestricted.

Capital Assets and Debt Administration

Capital assets

At the end of 2024, the Authority had \$90.8 million invested in capital assets comprised of the land, building, furnishings, equipment, and leased equipment of the regional jail. Also included are capitalized interest and pre-opening costs representing interest and other costs capitalized during the construction period. Net Capital assets increased by approximately \$1.7 million during the year due to an increase in work in progress of \$4.3 million.

The following table summarizes the Authority's capital assets, net of accumulated depreciation, as of June 30, 2024, and 2023 (in thousands).

	<u>2024</u>	<u>2023</u>
Land	\$ 2,032	\$ 2,032
Work in progress	4,531	195
Buildings and improvements	79,187	78,773
Furnishings and equipment	4,974	4,770
Leased Equipment	68	77
Total capital assets	<u>90,792</u>	<u>85,847</u>
Accumulated depreciation	<u>(71,543)</u>	<u>(68,320)</u>
Net capital assets	<u>\$ 19,249</u>	<u>\$ 17,527</u>

Capital Assets and Debt Administration (Continued)

Capital assets (Continued)

The following table summarizes the changes in capital assets. These changes are presented in a more detailed schedule in *Note 4*.

	<u>(in thousands)</u>
Balance at July 1, 2023	\$ 17,527
Additions	4,955
Disposals (net)	-
Depreciation	<u>(3,233)</u>
Balance at June 30, 2024	<u>\$ 19,249</u>

Debt

On March 20, 2024 the Authority passed a resolution to arrange for the payment and defeasance of the outstanding bonds in accordance with the terms of the Master Indenture so that the outstanding bonds are deemed paid and no longer outstanding under the Master Indenture and so as to permit the termination and discharge of the Master Indenture and discharge and cancellation of the lien.

On March 28, 2024, \$17,332,885 in cash and SLGS was placed in Escrow to Defeasance the Series 2013A, 2013B and Series 2015 bonds.

Contacting the Authority's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information regarding the Authority, contact the Director of Administration at 2690 Elmhurst Lane, Portsmouth, Virginia 23701.

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HAMPTON ROADS REGIONAL JAIL AUTHORITY

Statement of Net Position
June 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets:	
Cash and cash equivalents	\$ 11,958,780
Investments (cash equivalents)	3,879,251
Commissary and Employee Canteen	377,139
Accounts receivable	48,234
Accrued interest receivable	62
Due from other governments	518,148
Inventories of supplies	218,497
Prepaid expenses	293,473
Receivable from inmate fund	25,122
Total current assets	<u>\$ 17,318,706</u>
Long-term assets:	
Restricted assets:	
Cash and cash equivalents held by trustee - DSRF	\$ 17,134
Net OPEB Asset - VLDP	4,062
Total restricted assets	<u>\$ 21,196</u>
Capital assets:	
Land	\$ 2,031,926
Work in progress	4,531,257
Buildings and improvements	79,187,400
Furnishings and equipment	4,974,347
Lease equipment	68,001
Subtotal	<u>\$ 90,792,931</u>
Less - accumulated depreciation	<u>(71,543,486)</u>
Capital assets, net	<u>\$ 19,249,445</u>
Total long-term assets	<u>\$ 19,270,641</u>
Total assets	<u>\$ 36,589,347</u>
Deferred outflows of resources:	
Deferred sources of outflows - Pension	\$ 1,167,481
Deferred sources of outflows - OPEB	153,779
Total deferred outflows of resources	<u>\$ 1,321,260</u>
Total assets and deferred outflows of resources	<u>\$ 37,910,607</u>

The accompanying notes are an integral part of these financial statements.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Statement of Net Position
June 30, 2024 (Continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities:	
Accounts payable	\$ 1,231,143
Accrued payroll liabilities	12,007
Arbitrage Payable	1,023
Compensated absences - current	40,485
Accrued payroll	25,961
Lease liabilities - current	16,436
Retainage Payable	215,389
Total current liabilities	<u>\$ 1,542,444</u>
Long-term liabilities:	
Compensated absences	\$ 40,485
Net pension liability	2,252,053
Net OPEB liabilities	650,200
Lease liabilities	12,957
Total long-term liabilities	<u>\$ 2,955,695</u>
Total liabilities	<u>\$ 4,498,139</u>
Deferred inflows of resources:	
Deferred sources of inflows - Pension	\$ 1,498,992
Deferred sources of inflows - OPEB	1,731,540
Total deferred inflows of resources	<u>\$ 3,230,532</u>
Net position:	
Net investment in capital assets	\$ 19,220,052
Restricted for:	
Debt service reserve	17,134
Inmate benefits	159,617
OPEB benefits	4,062
Unrestricted	<u>10,781,071</u>
Total net position	<u>\$ 30,181,936</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 37,910,607</u>

The accompanying notes are an integral part of these financial statements.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Fiscal Year Ended June 30, 2024

Operating revenues:	
Commonwealth of Virginia per diems, net of recoveries	\$ 263,257
Commonwealth of Virginia reimbursements	9,998,462
Commonwealth of Virginia - Out of Compliance Medical	77,441
Member per diems	16,432,839
US Marshalls per diems	52,115
Telephone revenue	131,271
Inmates commissary sales commissions	50,560
Inmates keep fees	25,193
Employees canteen sales commissions	1,506
Miscellaneous revenues	<u>42,771</u>
 Total operating revenues	 \$ <u>27,075,415</u>
Operating expenses:	
Jail operations:	
Personal services	\$ 8,117,618
Employee benefits	432,781
Medical services	5,197,479
Other purchased services	1,494,568
Other charges	2,648,573
Materials and supplies	113,557
Noncapital equipment	560,717
Inmates commissary	130,428
Behavioral Health Grant	97,346
Depreciation and amortization	<u>3,232,903</u>
 Total operating expenses	 \$ <u>22,025,970</u>
 Operating income	 \$ <u>5,049,445</u>
Nonoperating revenues (expenses):	
Behavioral Health Grant	\$ 101,778
ARPA Grant	168,308
Gain (loss) on investments	440,536
Gain (loss) on defeasance of debt	(50,105)
Interest and fiscal charges	<u>(567,709)</u>
 Total nonoperating revenues (expenses)	 \$ <u>92,808</u>
 Change in net position	 \$ 5,142,253
Net position - beginning of year	<u>25,039,683</u>
 Net position - end of year	 \$ <u><u>30,181,936</u></u>

The accompanying notes are an integral part of these financial statements.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Statement of Cash Flows
Fiscal Year Ended June 30, 2024

Cash flows from operating activities:	
Receipts from clients	\$ 29,332,090
Reimbursement to members	(5,907,925)
Payments to suppliers	(12,350,812)
Payments to and for employees	(11,975,173)
Other operating revenues	564,014
Other payments	(149,802)
Net cash provided by operating activities	<u>\$ (487,608)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (3,715,989)
Repayment of debt	(5,000)
Payment for defeasance of debt	(17,442,885)
Repayment of leases	(16,668)
Interest and fiscal charges paid	(793,119)
Net cash used for capital and related financing activities	<u>\$ (21,973,661)</u>
Cash flows from investing activities:	
Interest received	\$ 407,580
Sale of investments	4,205,208
Net cash provided by investing activities	<u>\$ 4,612,788</u>
Net increase in cash and cash equivalents	\$ (17,848,481)
Cash and cash equivalents at beginning of year, including restricted accounts	33,703,646
Cash and cash equivalents at end of year, including restricted accounts	<u>\$ 15,855,165</u>
Reconciliation of operating income to net cash from operating activities:	
Operating Income	\$ 5,049,445
Adjustments to reconcile operating income to net cash used for operating activities:	
Depreciation and amortization	\$ 3,232,903
Behavioral health grant	101,778
ARPA grant	168,308
Change in operating assets and deferred outflows of resources:	
Accounts receivable	42,627
Due from other governments	2,507,976
Inventories of supplies	17,770
Prepaid expenses	(145,703)
Receivable from custodial funds	(19,374)
Net OPEB asset	(2,426)
Deferred outflows of resources - pension	1,017,803
Deferred outflows of resources - OPEB	68,763
Change in operating liabilities and deferred inflows of resources:	
Accounts and member rebate payable	(8,018,564)
Accrued payroll liabilities	(390,829)
Compensated absences	(744,690)
Net pension liability	(1,314,614)
Net OPEB liabilities	(1,060,970)
Deferred inflow of resources - pension	(870,546)
Deferred inflow of resources - OPEB	(127,265)
Total adjustments	<u>\$ (5,537,053)</u>
Net cash provided by operating activities	<u>\$ (487,608)</u>
Noncash investing activities:	
Change in fair value of investments - Debt Service Reserve Fund	<u>\$ 32,569</u>
Noncash capital and related financing activities:	
Change in contract and retainage payable	\$ 215,389
Change in issuance premiums (including amortization)	(697,748)
Change in deferred outflows of resources (losses on refundings)	776,145
Disposal of water cooler lease	(9,071)
Net change from noncash capital and related financing activities	<u>\$ 284,715</u>

The accompanying notes are an integral part of these financial statements.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2024

	Custodial Funds
Assets:	
Cash and cash equivalents	\$ 25,122
Total assets	<u>\$ 25,122</u>
Liabilities:	
Payable to operating fund	\$ 25,122
Total liabilities	<u>\$ 25,122</u>
Net Position:	
Restricted for inmates	\$ -
Total net position	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 Fiscal Year Ended June 30, 2024

	Custodial Funds
<hr/>	
Additions:	
Inmate deposits	\$ 264,666
Total additions	<u>\$ 264,666</u>
Deductions:	
Inmate phone payment	\$ 147,120
Canteen payments (commissary, take out orders and court fees)	55,200
Inmate debt	7,389
Fees to Hampton Roads Regional Jail (keep fees, co-pays, etc)	60,530
Paid to inmates (release and mail funds request)	3,509
Other	1,496
Total deductions	<u>\$ 275,244</u>
Net increase (decrease) in fiduciary net position	\$ (10,578)
Net position - beginning of year	<u>10,578</u>
Net position - end of year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024

Note 1—Description of the Reporting Entity:

The Hampton Roads Regional Jail Authority (Authority) is a public corporate instrumentality of the Commonwealth of Virginia, created as of December 14, 1993, by the cities of Hampton, Newport News, Norfolk and Portsmouth, as authorized by Title 53.1, Chapter 3, Section 53.1-95.2 et seq., Code of Virginia, (1950) as amended. Beginning July 1, 2014, the City of Chesapeake entered into an agreement with the Authority to become a full member upon adoption of the agreement by all five city councils. This was accomplished by approval of a revised and restated Service Agreement by all five governing bodies, effective August 26, 2014. The Authority is governed by a fifteen-member board, consisting of three members from each city, namely, the sheriff, the city manager and one member of city council (an alternate to each board member may be appointed). The Authority is an intergovernmental joint venture and it meets the definition of a stand-alone governmental entity for financial reporting in accordance with Governmental Accounting Standards Board (GASB) Accounting Standards Codifications (ASC) 2100, *Defining the Financial Reporting Entity*. The purpose of the Authority is to develop, construct, equip, maintain and operate a regional jail. No one locality contributes more than 50 percent of the Authority's funding or has responsibility over its operations.

Hampton Roads Regional Jail Authority opened on March 16, 1998. The regional jail is designed to accommodate both pre-trial and sentenced medium-maximum security male, female and certified juvenile inmates, inmates with special needs or those who require special management, and other offenders who would otherwise be incarcerated in the cities' jails. The facility provides separate inmate housing areas of a manageable size, which are under continuous staff supervision and control. This design enables a staff efficient operation with a mix of uniformed, civilian and contract personnel totaling approximately 350 full-time positions.

Construction of the 875-bed regional jail facility on a 38-acre site located at 2690 Elmhurst Lane, Portsmouth, Virginia was completed in December 1998. The Virginia Board of Corrections approved and paid state reimbursement for 50% of eligible construction costs in the amount of \$31,094,207, plus applicable interest.

Note 2—Summary of Significant Accounting Policies:

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

Basis of Accounting

The accompanying financial statements report the financial position and results of operations of the Authority in accordance with generally accepted accounting principles. The preparation of the Authority's financial statements is governed by the guidance of the Governmental Accounting Standards Board (GASB). These statements are prepared on an enterprise fund basis and present the Authority's operating revenues and expenses in a manner similar to a private business, where the costs, including depreciation, of providing services to the public on a continuing basis are financed or recovered primarily through user charges.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 2–Summary of Significant Accounting Policies: (Continued)

Basis of Accounting (Continued)

An enterprise fund, a proprietary fund type, is accounted for on an economic resources measurement focus. All assets and liabilities, whether current or long-term, and deferred outflows and inflows of resources associated with the regional jail’s activities are included on its Statement of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position. The financial statements are presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use unrestricted resources first, and then restricted resources.

Fiduciary Funds account for assets held by the authority in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds. These funds are reported on an economic resources measurement focus using the accrual basis of accounting. The Inmate Fund comprises the Authority’s Custodial Funds. These funds account for funds held on behalf of the inmates housed at the facility. Fiduciary funds are not included in the enterprise financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government’s proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Inventories

The inventories reflected in the financial statements consist principally of materials and supplies held for future consumption and are valued at cost using the first-in, first-out (FIFO) basis.

Budget

The Authority operates in accordance with an annual budget, prepared on a modified accrual basis, which is adopted by the Authority for each fiscal year. The formal level of budgetary control is at the object class level, i.e., category level; however, management control is exercised at the sub-object level. The Superintendent may transfer amounts within categories. Additions to the budget must be approved by the Authority’s Board. All unobligated operating budget items lapse at the end of the fiscal year.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are state at cost or amortized cost. Investments with a maturity greater than one year when purchased are state at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 2–Summary of Significant Accounting Policies: (Continued)

Use of 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 of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses and disclosures of contingent assets and liabilities reported for the period. Accordingly, actual results could differ from those estimates and assumptions.

Capital Assets

Capital assets purchased or constructed are stated at cost, except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below. The capitalization threshold is \$5,000. Capital assets are depreciated using the straight-line method with a half-year of depreciation taken for additions and disposals over the below estimated useful lives. Contributed capital assets are recorded at acquisition value at the date of contribution.

Buildings and improvements	30 years
Capitalized interest	30 years
Pre-opening costs	30 years
Furnishings and equipment	5-15 years
Automotive equipment	5 years
Lease equipment	3-5 years

Depreciation recognized on capital assets is charged as an expense against operations.

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Certain items related to pension and OPEB are reported as deferred outflows of resources. For more detailed information on these items, reference the pension and OPEB notes.

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

Revenue Recognition

Operating revenues are recognized as revenue when earned, measurable and available. Per diem charges and reimbursements from the Commonwealth of Virginia are billed monthly. Unbilled revenues through June 30 of each fiscal year are accrued at year-end.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 2—Summary of Significant Accounting Policies: (Continued)

Operating and Non-operating Revenue and Expenses Recognition

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services in connection with the Authority's principal service of operating a regional jail. The majority of operating revenues are from jail operations, but other associated miscellaneous services and charges are also included. Revenues and expenses not meeting the operating definition are reported as non-operating. These non-operating revenues and expenses consist mainly of investment income, grants and interest expense.

Employee Benefits

All employees earn annual leave for each full month of employment. The amount of leave earned is based on the employee's years of service and is accrued and expensed as employees earn the right to these benefits. The maximum annual leave an employee may accumulate at year-end is 480 hours. If an employee gives a two week notice prior to terminating employment and leaves in good standing, the employee has the right to be paid up to the maximum of 480 hours as terminal leave.

In accordance with the provisions of the Fair Labor Standards Act, non-exempt employees are paid overtime on a current basis.

Bonds

Bonds payable are reported net of the applicable bond premium or discount. Premiums and losses on bond refunding are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt. This method of amortization approximates the effective interest method.

Pensions

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

Other Postemployment Benefits (OPEB)

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 2—Summary of Significant Accounting Policies: (Concluded)

Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

Note 3—Deposits and Investments:

Deposits

At year-end, the carrying amount of the Authority's deposits with banks and savings institutions was \$12,335,419. and the bank balance was \$12,809,175. All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), Section 2.2-4400 et. seq. of the Code of Virginia (1950), as amended, or covered by The Federal Deposit Insurance Corporation (FDIC). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral levels ranging from 50%-130% of the deposit balances in excess of FDIC coverage. The collateral instruments must be held by a third-party custodian for the benefit of the Commonwealth of Virginia. Pursuant to Virginia Code qualified public depositories have the option to collateralize public deposits at an individually assigned level ranging between 50% - 100% on a cross-collateralized basis (Pooled Method) or can opt-out of the cross-collateralization (Dedicated Method) provision, by pledging collateral instruments with an individually assigned value between 105% - 130% and submitting weekly reports to the State Treasury Board. In either case the State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. Truist Bank selected the Dedicated Method of collateralization and has a current collateral level of 110% pursuant to the guidelines.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 3—Deposits and Investments: (Continued)

Investment Policy

In accordance with the Code of Virginia (1950), as amended, and other applicable laws, and regulations, the Authority’s investment policy (policy) permits investments in United States government obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, “prime quality” commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the policy and the State Treasurer’s Local Government Investment Pool (the Virginia LGIP, an amortized cost basis portfolio).

The policy establishes limitations on the holdings in “prime quality” commercial paper and “high quality” corporate notes. Not more than thirty-five percent (35%) of the portfolio may be invested in commercial paper and corporate notes at any time, and not more than five percent (5%) may be invested in commercial paper of any one issuing corporation.

Credit Risk

As required by state statute, the policy requires that 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 or Fitch Investors Service. Corporate notes, 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.

As of June 30, 2024, 100% was invested in “AAAm” rated money market funds.

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority’s policy limits the investment of operating funds to investments with a stated maturity of no more than 5 years from the date of purchase. The average maturity of the investment portfolio may not exceed 3 years.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>
Virginia LGIP	\$ 3,879,251	\$ 3,879,251
Treasury Note	17,134	17,134
Total	<u>\$ 3,896,385</u>	<u>\$ 3,896,385</u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 3—Deposits and Investments: (Concluded)

External Investment Pool

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Authority maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Authority has the following recurring fair value measurements as of June 30, 2024:

<u>Investment Type</u>	<u>Fair Value Measurement Using</u>		
	<u>Quoted Prices in Active Markets for Identical Assets</u>	<u>Significant Other Observable Inputs</u>	<u>Significant Unobservable Inputs</u>
First American Government Obligation	\$ 17,134	\$ -	\$ -
Total Investments	\$ 17,134	\$ -	\$ -

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 4—Capital Assets:

A summary of changes in capital assets follows:

	Balance July 1, 2023	Account Consolidation	Additions	Deletions	Balance June 30, 2024
Non-depreciable Capital Assets					
Land	\$ 2,031,926	\$ -	\$ -	\$ -	\$ 2,031,926
Work in progress	194,858	-	4,378,418	(42,019)	4,531,257
Total non-depreciable capital assets	\$ 2,226,784	\$ -	\$ 4,378,418	\$ (42,019)	\$ 6,563,183
Depreciable Capital Assets					
Buildings and improvements	\$ 66,269,135	\$ 12,503,648	\$ 414,617	\$ -	\$ 79,187,400
Capitalized interest	9,282,649	(9,282,649)	-	-	-
Pre-opening costs	3,220,999	(3,220,999)	-	-	-
Furnishings and equipment	3,561,505	1,208,785	204,057	-	4,974,347
Automotive equipment	1,208,785	(1,208,785)	-	-	-
Lease equipment	77,072	-	-	(9,071)	68,001
Total depreciable capital assets	\$ 83,620,145	\$ -	\$ 618,674	\$ (9,071)	\$ 84,229,748
Less accumulated depreciation					
Buildings and improvements	\$ 54,247,741	\$ 10,558,104	\$ 2,950,717	\$ -	\$ 67,756,562
Capitalized interest	7,843,321	(7,843,321)	-	-	-
Pre-opening costs	2,714,783	(2,714,783)	-	-	-
Furnishings and equipment	2,490,533	991,421	265,414	-	3,747,368
Automotive equipment	991,421	(991,421)	-	-	-
Lease equipment	31,856	-	16,772	(9,071)	39,557
Accumulated depreciation	\$ 68,319,655	\$ -	\$ 3,232,903	\$ (9,071)	\$ 71,543,486
Total depreciable capital assets, net	\$ 15,300,490	\$ -	\$ (2,614,229)	\$ -	\$ 12,686,262
Capital assets, net	\$ 17,527,274	\$ -	\$ 1,764,189	\$ (42,019)	\$ 19,249,445

Capitalized interest consists of bond issuance expenditures and interest expenditures incurred prior to the opening of the regional jail. Pre-opening costs consists of administrative expenditures and materials and supplies incurred prior to the opening of the regional jail.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 5—Bonds Payable:

On May 28, 2015, the Authority issued \$13,005,000 of Series 2015 Refunding Revenue Bonds through the Virginia Resources Authority Virginia Pooled Financing Program with a true interest cost of 2.948804% for an advance refund of the remaining Series 2009 bonds in the amount of \$12,975,000. The refunding was undertaken to reduce total future debt payments. The transaction resulted in an annual cash flow savings ranging from \$45,077 to \$48,465. The refunding bonds sold at a premium of \$2,034,810 which is being amortized over the refunded debt's life which is the same as the life of the new debt. The loss on refunding of \$1,464,974 has been deferred and is being amortized over the life of the debt. The Series 2015 Refunding Revenue Bonds were not issued as tax-exempt bonds and are not subject to arbitrage.

On March 27, 2013 the Authority issued \$3,345,000 of Series 2013A Tax-Exempt Revenue Bonds. The proceeds were used to fund new money projects for jail facility improvements. Also, on March 27, 2013 the Authority issued \$24,700,000 Refunding Revenue Bonds, Taxable Series 2013B. The Series 2013B bonds generated net present value savings of \$2,049,823 or 8.9% of the refunded bonds. The proceeds of the 2013B Bonds were used to refund a portion of the outstanding principal balance of the Authority's Revenue Bonds, Series 2004. The remaining principle balance of the Series 2004 Bonds as of March 27, 2013 was \$3,430,000. The True Interest Cost of the 2013A Tax-Exempt Revenue Bonds is 2.35% and the True Interest Cost of the 2013B Refunding Revenue Bonds is 2.61%. The bonds sold at a premium of \$108,338 which has been deferred and is being amortized over the life of the new debt. The loss on refunding of \$1,952,269 has been deferred and is being amortized over the life of the refunded debt. The Series 2013B Taxable Refunding Revenue Bonds are federally taxable and feature a Make-Whole Call provision. The Authority has agreed to comply with the timely payment of any arbitrage rebate amounts with respect to the Series 2013A Bonds. Arbitrage was calculated on the Series 2013A bonds and no amount is due at this time.

On March 20, 2024 the Authority passed a resolution to arrange for the payment and defeasance of the outstanding bonds in accordance with the terms of the Master Indenture so that the outstanding bonds are deemed paid and no longer outstanding under the Master Indenture and so as to permit the termination and discharge of the Master Indenture and discharge and cancellation of the lien.

On March 28, 2024 \$17,332,885 in cash and SLGS was placed in Escrow to Defeas the Series 2013A, 2013B and Series 2015 bonds.

Following is a summary of changes in bonds payable for the year ended June 30, 2024.

	Balance				Balance
	July 1, 2023	Additions	Deletions		June 30, 2024
Direct Borrowings and Placements:					
Series 2013A	\$ 1,330,000	\$ -	\$ (1,330,000)		-
Series 2013B	2,875,000	-	(2,875,000)		-
Series 2015A	12,920,000	-	(12,920,000)		-
Subtotal	<u>\$ 17,125,000</u>	<u>\$ -</u>	<u>\$ (17,125,000)</u>		<u>\$ -</u>
Issuance Premiums	\$ 697,748	\$ -	\$ (697,748)		-
Total	<u>\$ 17,822,748</u>	<u>\$ -</u>	<u>\$ (17,822,748)</u>		<u>\$ -</u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 6—Lease Liabilities:

The Authority is a lessee for noncancellable leases of equipment. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over shorter of the lease term or the useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

The Authority leases multifunction copiers as lessee. The Authority is required to make monthly fixed payments totaling \$1,424. Certain of the copier leases that the Authority engages in as the lessee require variable payments based on the number of black and white and/or color pages printed on said copier. These variable payments are not included in the measurement of the lease liability. Outstanding copier leases have lease terms of 5 years.

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 6–Lease Liabilities: (Concluded)

The Authority also leased a water cooler as lessee. The Authority was required to make monthly payments of \$360, over a term of 3 years, which ended during fiscal year 2024.

	<u>Balance</u>				<u>Balance</u>	<u>Amounts</u>
	<u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>		<u>June 30, 2024</u>	<u>Due Within</u>
						<u>One Year</u>
Copier leases	\$ 45,344	\$ -	\$ (15,951)	\$	29,393	\$ 16,436
Water cooler lease	717	-	(717)	-	-	-
Total	<u>\$ 46,061</u>	<u>\$ -</u>	<u>\$ (16,668)</u>	<u>\$</u>	<u>29,393</u>	<u>\$ 16,436</u>

<u>Year Ending</u>	<u>Lease liabilities</u>			
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$	16,436	\$ 657	\$ 17,093
2026		<u>12,957</u>	<u>181</u>	<u>13,138</u>
Total	\$	<u>29,393</u>	<u>\$ 838</u>	<u>\$ 30,231</u>

Note 7–Compensated Absences:

The liability for vested annual leave at June 30, 2024 is as follows:

	<u>Balance</u>				<u>Balance</u>	<u>Amounts</u>
	<u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>		<u>June 30, 2024</u>	<u>Due Within</u>
						<u>One Year</u>
Annual leave	\$ 825,660	\$ -	\$ (744,690)	\$	80,970	\$ 40,485
Total compensated absences	<u>\$ 825,660</u>	<u>\$ -</u>	<u>\$ (744,690)</u>	<u>\$</u>	<u>80,970</u>	<u>\$ 40,485</u>

Note 8–Pension Plan:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 8–Pension Plan: (Continued)

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010, to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010, and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014, are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014, with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation, and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation, and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation, and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 8—Pension Plan: (Continued)

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

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	181
Inactive members:	
Vested inactive members	35
Non-vested inactive members	271
Inactive members active elsewhere in VRS	<u>164</u>
Total inactive members	470
Active members	<u>168</u>
Total covered employees	<u><u>819</u></u>

Contributions

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

The Hampton Roads Regional Jail Authority’s contractually required employer contribution rate for the year ended June 30, 2024, was 18.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 Hampton Roads Regional Jail Authority were \$1,033,707 and \$1,414,496 for the years ended June 30, 2024, and June 30, 2023, respectively.

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 8–Pension Plan: (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For Hampton Roads Regional Jail Authority, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Hampton Roads Regional Jail Authority’s Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 8–Pension Plan: (Continued)

Actuarial Assumptions – General Employees (continued)

The actuarial assumptions used in the June 30, 2022 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; Changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each 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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Hampton Roads Regional Jail Authority’s Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 8–Pension Plan: (Continued)

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years.

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector morality tables. Increased disability life expectancy. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-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 Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 8–Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.25%

*The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 8–Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. From July 1, 2023, 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.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 60,182,978	\$ 56,616,311	\$ 3,566,667
Changes for the year:			
Service cost	\$ 1,313,601	\$ -	\$ 1,313,601
Interest	4,033,124	-	4,033,124
Differences between expected and actual experience	(1,236,546)	-	(1,236,546)
Contributions - employer	-	1,413,475	(1,413,475)
Contributions - employee	-	437,523	(437,523)
Net investment income	-	3,608,911	(3,608,911)
Benefit payments, including refunds of employee contributions	(3,493,192)	(3,493,192)	-
Administrative expenses	-	(36,565)	36,565
Other changes	-	1,449	(1,449)
Net changes	<u>\$ 616,987</u>	<u>\$ 1,931,601</u>	<u>\$ (1,314,614)</u>
Balances at June 30, 2023	<u>\$ 60,799,965</u>	<u>\$ 58,547,912</u>	<u>\$ 2,252,053</u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 8—Pension Plan: (Continued)

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

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

	Rate		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Hampton Roads Regional Jail Authority			
Net Pension Liability (Asset)	\$ 9,811,061	\$ 2,252,053	\$ (4,050,216)

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

For the year ended June 30, 2024, the Hampton Roads Regional Jail Authority recognized pension expense of (\$134,671). At June 30, 2024, the Hampton Roads Regional Jail Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Differences between expected and actual experience	\$ -	\$ 585,487
Change of assumptions	133,774	-
Net difference between projected and actual earnings on pension plan investments	-	913,505
Employer contributions subsequent to the measurement date	<u>1,033,707</u>	<u>-</u>
Total	<u>\$ 1,167,481</u>	<u>\$ 1,498,992</u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 8–Pension Plan: (Concluded)

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

\$1,033,707 reported as deferred outflows of resources related to pensions resulting from the Hampton Roads Regional Jail Authority’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2025	\$	(1,113,292)
2026		(1,097,130)
2027		813,987
2028		31,217
2029		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 9–Other Post-employment Benefits (OPEB):

Plan Description

The Authority provides post-retirement health care benefits as a single employer administered through The Local Choice, an agent multi-employer health plan. The Authority Board is responsible for establishing and amending plan benefits and the funding policy. The retiree pays all costs of health insurance benefits. Once the retiree reaches age 65, they are eligible for the Local Choice Medicare supplemental insurance. The retiree is responsible for all costs associated with the Medicare supplemental insurance.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 9—Other Post-employment Benefits (OPEB): (Continued)

Eligibility

Participants in the Hampton Roads Regional Jail Authority must meet the eligibility requirements based on service earned with the Authority to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are eligible for the health benefits through COBRA only. Participants must meet one of the following requirements to be eligible for health benefits:

- Attained the age of 55 with 5 years of service.
- Attained the age of 50 with 10 years of service.

In addition, employees must meet one of the following requirements to be eligible for retirement through Virginia Retirement System.

General Employees Prior Plan – All Plan 1 Members vested as of January 1, 2013:

- Attain age 50 with at least 10 years of service with VRS for a reduced pension benefit, or
- Attain age 55 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 65 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 30 years of service with VRS for an unreduced pension benefit.

General Employees Current Plan – All Plan 1 Members not vested as of January 1, 2013 and Members hired on or after July 1, 2010 (Plan 2):

- Attain age 60 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain 90 points (age plus service) with VRS for an unreduced pension benefit, or
- Attain Social Security Normal Retirement Age with at least 5 years of service with VRS for an unreduced pension benefit.

Public Safety Employees:

- Attain age 50 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 60 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 25 years of service with VRS for an unreduced pension benefit.

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 9—Other Post-employment Benefits (OPEB): (Continued)

Health Plan Benefits

Coverage is for the retiree and eligible spouses/dependents. The monthly premiums below are for the year beginning July 1, 2021. Dental and vision are included with both the Key Advantage Expanded (PPO) and the Key Advantage 500 (PPO) medical option premiums. Benefits end at the later of the retiree’s or spouse’s death. Neither dental nor vision is offered to retirees who are 65 or older.

<u>Plan</u>	<u>Retiree</u>	<u>Retiree and Dependent/Spouse</u>	<u>Family</u>
Comprehensive Dental:			
Key Advantage 500 (PPO)	\$861	\$1,593	\$2,325
Key Advantage Expanded (PPO)	\$1,055	\$1,952	\$2,849
High Deductible	\$705	\$1,304	\$1,904
Preventative Dental:			
Key Advantage 500 (PPO)	\$844	\$1,561	\$2,279
Key Advantage Expanded (PPO)	\$1,038	\$1,920	\$2,803
High Deductible	\$688	\$1,273	\$1,858
Optima	\$782	\$1,447	\$2,095
Advantage 65 (PPO)	\$201	\$201	N/A

Retiree and Employer Contributions

- Non-Medicare Eligible retirees and spouses (Under Age 65) – Retirees contribute 100% of the premium cost for retiree and spouse/dependent coverage.
- Medicare Eligible retirees and spouses (Age 65+) – Retirees contribute 100% of the premium cost for retiree and spouse/dependent coverage.

The Authority offers health and dental coverage to eligible employees and their eligible health plan benefits spouses/dependents. Retirees under the age of 65 are eligible to choose health care coverage using the same health care plans and premium structures available to active employees. Currently a retiree may choose one of the following medical options:

- Key Advantage Expanded (PPO)
- Key Advantage 500 (PPO)
- High Deductible Health Plan

Retirees age 65 and older may only choose the Advantage 65 (PPO). Medicare supplemental benefits end at the later of the retiree’s or spouse’s death. Neither dental nor vision is offered to retirees who are 65 or older. Benefits are currently managed on a pay-as-you-go basis rather than through the use of an irrevocable trust and a separate report of the OPEB Plan is not issued.

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 9—Other Post-employment Benefits (OPEB): (Continued)

Retiree and Employer Contributions (Concluded)

There are no age or service requirements for disabled members. Disabled members must apply for retirement while still employed, or within 90 days after termination. Disabled members are eligible for the same benefit as other retirees and pay the full premium. If an employee dies prior to retirement and was eligible for retiree medical benefits, the employee’s spouse may continue medical coverage through COBRA only.

Plan Membership

At June 30, 2024 (measurement date), the following employees were covered by the benefit terms:

Total Active employees with coverage	3
Total retirees with coverage	<u>3</u>
Total	<u><u>6</u></u>

Funding Policy

The Authority does not pre-fund OPEB. Instead, it pays benefits directly from general assets on a pay-as-you-go basis.

Total OPEB liability

The Authority’s total OPEB liability was measured as of June 30, 2024. The total OPEB liability was determined by an actuarial valuation performed as of July 1, 2022. The Authority stopped normal business operations effective April 1, 2024, but will remain an active Authority through April 1, 2026. The June 30, 2024 total OPEB liability was measured using the June 30, 2024 covered employee group and assuming the OPEB plan is ongoing. The same assumptions and plan provisions as used in the July 1, 2022 valuation were used.

	<u>June 30, 2024</u>
Total OPEB Liability	\$ 248,790
Covered-Employee Payroll	255,998
Total OPEB Liability as a % of Covered-Employee Payroll	97.18%

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 9—Other Post-employment Benefits (OPEB): (Continued)

Actuarial Assumptions

The following actuarial methods and assumptions were used in the Authority’s June 30, 2022 OPEB valuation.

The discount rates are based on the Bond Buyer General Obligation 20-year Bond Municipal Index as of their respective measurement dates.

	June 30, 2024
Valuation Timing	July 1, 2022
Measurement Date	June 30, 2024
Inflation	2.5%
Salary Increases, Including Inflation	
Non-Law Officers	3.50% - 5.35%
Law Officers	3.50% - 4.75%
Discount Rate	3.93%
20 Year Tax-Exempt Municipal Bond Yield	3.93%
Age-Related Claims Cost	Blended premium rate for active employees and retirees under age 65
Healthcare Trend Rates	Medical trend rates consistent with information from the Getzen Trend Model. 12.30% in 2020, grading to an ultimate rate of 4.00% over 54 years.
Retirement	Eligible retirees contribute 100% of the premium cost for retirees and spouses/dependent coverage
Disability	There are no age or service requirements for disabled members. Disabled members must apply for retirement while still employed, or within 90 days after termination. Disabled members are eligible for the same benefit as other retirees and pay the full premium.
Mortality Rates:	
Pre-Retirement	RP-2014 Employee Mortality projected to 2020: Males 90% of rates; Females set forward 1 year (Public Safety set forward 1 year)
Post-Retirement	RP-2014 Combined Healthy Mortality projected to 2020, Males set forward 1 year with 1.0 % increase , Females set forward 3 years (Public Safety set forward 3 years)
Post-Disablement	RP-2014 Disabled Mortality projected to 2020: Males set forward 2 years; Public Safety set forward 2 yrs. - unisex using 100% male
Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay

The demographic assumptions used in the calculations were based on the results of an actuarial experience study for the Virginia Retirement System covering the period from July 1, 2016 to June 30, 2020.

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 9—Other Post-employment Benefits (OPEB): (Continued)

Changes in Total OPEB Liability

	<u>Increase or (Decrease)</u>
Balances at June 30, 2023	\$ <u>1,242,174</u>
Changes for the year:	
Service cost	\$ 1,738
Interest on Total OPEB Liability	44,964
Effect of Economic/Demographic Gains or Losses	(1,012,679)
Effect of Assumptions Changes or Inputs	(3,212)
Benefit payments	<u>(24,195)</u>
Balance at June 30, 2024	\$ <u><u>248,790</u></u>

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

The following presents the Authority’s Total OPEB Liability, calculated using the discount rate of 3.93%. It also presents what the Authority’s Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower (2.93%) and one percentage point higher than (4.93%) the current rate.

	<u>Rate</u>		
	<u>1% Decrease</u> <u>2.93%</u>	<u>Current Discount</u> <u>3.93%</u>	<u>1% Increase</u> <u>4.93%</u>
Hampton Roads Regional Jail Authority			
Total OPEB Liability	\$ 260,572	\$ 248,790	\$ 237,860

Sensitivity of the Total OPEB Liability to Changes in the HealthCare Cost Trend Rate

The following presents the Authority’s Total OPEB Liability, calculated using the current healthcare trend rates. It also presents what the Authority’s Total OPEB Liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current rates.

	<u>Rate</u>		
	<u>1% Decrease</u> <u>11.3% decreasing</u> <u>to 3.0%</u>	<u>Current</u> <u>12.3% decreasing</u> <u>to 4.0%</u>	<u>1% Increase</u> <u>13.3% decreasing</u> <u>to 5.0%</u>
Hampton Roads Regional Jail Authority			
Total OPEB Liability	\$ 233,782	\$ 248,790	\$ 264,962

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 9—Other Post-employment Benefits (OPEB): (Concluded)

OPEB Expense

	<u>July 1, 2023 to June 30, 2024</u>
Service Cost	\$ 1,738
Interest on Total OPEB Liability	44,964
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	(859,738)
Recognition of Assumption Changes or Inputs	<u>(190,531)</u>
OPEB Expense	<u>\$ (1,003,567)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2024, the Authority reported deferred outflows and inflows of resources related to OPEB as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ -	\$ 1,239,357
Changes of Assumptions	59,286	186,414
Total	<u>\$ 59,286</u>	<u>\$ 1,425,771</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	
2025	\$ (882,456)
2026	(262,630)
2037	(175,345)
2028	(46,054)
2029	-
Thereafter	-

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 10–Group Life Insurance Plan OPEB:

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 10–Group Life Insurance Plan OPEB: (Continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$31,404 and \$42,573 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. The entity's proportionate share is reflected in the financial statements.

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

At June 30, 2024, the entity reported a liability of \$401,410 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was 0.03347% as compared to 0.03890% at June 30, 2022.

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 10–Group Life Insurance Plan OPEB: (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Plan OPEB (Concluded)

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of (\$57,514). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 40,091	\$ 12,185
Net difference between projected and actual earnings on GLI OPEB plan investments	-	16,131
Change of assumptions	8,580	27,811
Changes in proportionate share	-	246,634
Employer contributions subsequent to the measurement date	<u>31,404</u>	<u>-</u>
Total	<u>\$ 80,075</u>	<u>\$ 302,761</u>

\$31,404 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2025	(72,995)
2026	(82,965)
2027	(56,485)
2028	(34,191)
2029	(7,454)
Thereafter	-

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 10–Group Life Insurance Plan OPEB: (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 10–Group Life Insurance Plan OPEB: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees (Concluded)

The actuarial assumptions used in the June 30, 2022 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 10–Group Life Insurance Plan OPEB: (Continued)

Actuarial Assumptions: (Concluded)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees: (Concluded)

The actuarial assumptions used in the June 30, 2022 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,907,052
Plan Fiduciary Net Position	2,707,739
GLI Net OPEB Liability (Asset)	<u>\$ 1,199,313</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 10–Group Life Insurance Plan OPEB: (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.25%</u>

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 10–Group Life Insurance Plan OPEB: (Concluded)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2023, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Authority's proportionate share of the GLI Plan Net OPEB Liability	\$ 595,015	\$ 401,410	\$ 244,879

GLI Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 11–Virginia Local Disability Program (VLDP):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

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

VLDP Notes

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 11–Virginia Local Disability Program (VLDP): (Continued)

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision’s contractually required employer contribution rate for the year ended June 30, 2024, was 0.85% of covered employee compensation for employees in the VRS Political Subdivision VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Hampton Roads Regional Jail Authority to the VRS Political Subdivision VDLP were \$12,334 and \$13,133 for the years ended June 30, 2024, and June 30, 2023, respectively.

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

At June 30, 2024, the Hampton Roads Regional Jail Authority reported an asset of \$4,062 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2023, and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023. The Hampton Roads Regional Jail Authority’s proportion of the Net VLDP OPEB Liability was based on the Hampton Roads Regional Jail Authority’s actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the Hampton Roads Regional Jail Authority’s proportion of the VLDP was 0.25240% as compared to 0.27831% at June 30, 2022.

For the year ended June 30, 2024, the Hampton Roads Regional Jail Authority recognized VLDP OPEB expense of \$10,511. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 11–Virginia Local Disability Program (VLDP): (Continued)

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

At June 30, 2024, the Hampton Roads Regional Jail Authority reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,525	\$ 2,530
Net difference between projected and actual earnings on VLDP OPEB program investments	10	-
Change of assumptions	27	372
Changes in proportionate share	522	106
Employer contributions subsequent to the measurement date	<u>12,334</u>	<u>-</u>
Total	<u>\$ 14,418</u>	<u>\$ 3,008</u>

\$12,334 reported as deferred inflows of resources related to the VLDP OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows: replace table

<u>Year Ended June 30</u>	
2025	\$ 75
2026	(585)
2027	185
2028	3
2029	(268)
Thereafter	(334)

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 11–Virginia Local Disability Program (VLDP): (Continued)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2022, 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, 2023.

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 11–Virginia Local Disability Program (VLDP): (Continued)

Actuarial Assumptions: (Concluded)

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2022, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to Pub-2010 public sector mortality tables. 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 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

Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2023, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

	Political Subdivision VLDP OPEB Plan
	<hr/>
Total Political Subdivision VLDP OPEB Liability	\$ 9,525
Plan Fiduciary Net Position	11,134
Political Subdivision VLDP Net OPEB Liability (Asset)	<hr/> <u>\$ (1,609)</u> <hr/>
 Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	 116.89%

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 11–Virginia Local Disability Program (VLDP): (Continued)

Net VLDP OPEB Liability (Concluded)

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.25%</u>

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 11–Virginia Local Disability Program (VLDP): (Concluded)

Discount Rate

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2023, the rate contributed by the Hampton Roads Regional Jail Authority for the VLDP was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2023 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VLDP OPEB liability.

Sensitivity of the Authority’s Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Authority's proportionate share of the VLDP Net OPEB Liability	\$ (2,128)	\$ (4,062)	\$ (5,756)

VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP’s Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 12–OPEB Aggregate Totals:

The following is a summary of OPEB balances:

	<u>Net OPEB Asset</u>	<u>Deferred Outflows of Resources</u>	<u>Net OPEB Liabilities</u>	<u>Deferred Inflows of Resources</u>	<u>Expense</u>
Retiree Plan	\$ -	\$ 59,286	\$ 248,790	\$ 1,425,771	\$ (1,003,567)
GLI	-	80,075	401,410	302,761	(57,514)
VLDP	4,062	14,418	-	3,008	10,511
Totals	<u>\$ 4,062</u>	<u>\$ 153,779</u>	<u>\$ 650,200</u>	<u>\$ 1,731,540</u>	<u>\$ (1,050,570)</u>

The following is a summary of changes in the Net OPEB liabilities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Retiree Plan	\$ 1,242,174	\$ 565,697	\$ (1,559,081)	\$ 248,790
GLI	468,996	335,775	(403,361)	401,410
Totals	<u>\$ 1,711,170</u>	<u>\$ 901,472</u>	<u>\$ (1,962,442)</u>	<u>\$ 650,200</u>

Note 13–Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Hampton Roads Regional Jail Authority has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Authority to Virginia Risk Sharing Association (VRSA). VRSA assumes all liability for the Authority’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Authority’s LODA coverage is fully covered or “insured” through VRSA. To reduce the annual premium amount, the Authority changed to a high deductible LODA policy this year, with a \$250,000 deductible on new claims. This is built into the LODA coverage cost presented in the annual renewals. There were no new claims in FY2024. The Authority’s LODA premium for the year ended June 30, 2024, was \$57,080.

HAMPTON ROADS REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2024 (Continued)

Note 14–Due From (To) Other Governments:

Amounts due from (to) other governments at June 30, 2024 are as follows:

From the Commonwealth of Virginia:	
Per diem	\$ 5,155
Reimbursements	129,172
From member cities:	
City of Chesapeake	<u>383,821</u>
Total	<u>\$ 518,148</u>

Note 15–Litigation:

The Authority has answered six civil rights complaints. Of these cases, four have been dismissed and two are pending a motion to dismiss. The Virginia Risk Management (VARISK) program has the authority to, and is, representing the Authority in these lawsuits. The last inmate was transferred out of the Hampton Roads Regional Jail on March 22, 2024, therefore the two-year statute of limitations on civil rights lawsuits will expire March 22, 2026.

Note 16–Upcoming Accounting Pronouncements Issued, But Not Yet Implemented:

The GASB has issued the following pronouncements that could impact future financial presentations. Management is currently evaluating the impact these standards will have on the financial statements when adopted.

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

Statement No. 102, *Certain Risk Disclosures*, provides users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2024 (Continued)

Note 16—Upcoming Accounting Pronouncements Issued, But Not Yet Implemented: (Concluded)

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of assets (lease assets, subscription assets, intangible right-to-use assets, and other intangible assets) to be disclosed separately in the capital asset note disclosures by major class of underlying asset. It also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, effective for fiscal years beginning after June 15, 2025.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Note 17—Commitments:

There were outstanding construction commitments of \$1,023,695 on June 30, 2024 for roof replacement.

Note 18—Subsequent Events:

By a unanimous vote of the Authority Board, the building and assets located at 2690 Elmhurst Lane, Portsmouth, VA were sold to the City of Portsmouth, VA on September 18, 2024, for \$31,500,000.

On September 27, 2024, the Authority entered into a lease agreement with the City of Portsmouth VA to lease office space and furniture for the remaining staff.

The Authority continues to perform the administrative functions needed to close out operations with a small complement of employees who will remain on staff through April 1, 2026.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability					
Service cost	\$ 1,313,601	\$ 1,373,462	\$ 1,987,154	\$ 1,878,389	\$ 1,767,054
Interest	4,033,124	3,943,400	3,473,249	3,243,649	2,997,541
Changes of benefit terms	-	-	2,082,222	-	-
Differences between expected and actual experience	(1,236,546)	(542,733)	(1,019,470)	598,896	777,346
Changes of assumptions	-	-	2,044,816	-	1,496,398
Benefit payments	(3,493,192)	(3,276,846)	(2,675,622)	(1,963,303)	(1,649,271)
Net change in total pension liability	<u>\$ 616,987</u>	<u>\$ 1,497,283</u>	<u>\$ 5,892,349</u>	<u>\$ 3,757,631</u>	<u>\$ 5,389,068</u>
Total pension liability - beginning	60,182,978	58,685,695	52,793,346	49,035,715	43,646,647
Total pension liability - ending (a)	<u>\$ 60,799,965</u>	<u>\$ 60,182,978</u>	<u>\$ 58,685,695</u>	<u>\$ 52,793,346</u>	<u>\$ 49,035,715</u>
Plan fiduciary net position					
Contributions - employer	\$ 1,413,475	\$ 1,376,142	\$ 1,642,177	\$ 1,561,091	\$ 1,509,472
Contributions - employee	437,523	420,892	496,142	609,333	588,922
Net investment income	3,608,911	(38,527)	12,647,488	868,651	2,839,718
Benefit payments	(3,493,192)	(3,276,846)	(2,675,622)	(1,963,303)	(1,649,271)
Administrator charges	(36,565)	(36,389)	(31,153)	(28,616)	(26,882)
Other	1,449	1,330	1,194	(1,039)	(1,798)
Net change in plan fiduciary net position	<u>\$ 1,931,601</u>	<u>\$ (1,553,398)</u>	<u>\$ 12,080,226</u>	<u>\$ 1,046,117</u>	<u>\$ 3,260,161</u>
Plan fiduciary net position - beginning	56,616,311	58,169,709	46,089,483	45,043,366	41,783,205
Plan fiduciary net position - ending (b)	<u>\$ 58,547,912</u>	<u>\$ 56,616,311</u>	<u>\$ 58,169,709</u>	<u>\$ 46,089,483</u>	<u>\$ 45,043,366</u>
Authority's Net pension liability (asset) - ending (a) - (b)	<u>\$ 2,252,053</u>	<u>\$ 3,566,667</u>	<u>\$ 515,986</u>	<u>\$ 6,703,863</u>	<u>\$ 3,992,349</u>
Plan fiduciary net position as a percentage of the total pension liability	96.30%	94.07%	99.12%	87.30%	91.86%
Covered payroll	\$ 7,854,365	\$ 8,416,936	\$ 10,003,396	\$ 12,239,258	\$ 11,808,262
Authority's net pension liability (asset) as a percentage of covered payroll	28.67%	42.37%	5.16%	54.77%	33.81%

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2023 (Continued)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 1,858,503	\$ 1,915,562	\$ 1,915,605	\$ 1,883,005	\$ 1,810,330
Interest	2,748,121	2,600,374	2,381,256	2,204,830	1,978,110
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	410,586	(253,160)	(22,431)	(893,974)	-
Changes of assumptions	-	(793,296)	-	-	-
Benefit payments	(1,258,873)	(1,458,745)	(829,583)	(517,420)	(581,740)
Net change in total pension liability	<u>\$ 3,758,337</u>	<u>\$ 2,010,735</u>	<u>\$ 3,444,847</u>	<u>\$ 2,676,441</u>	<u>\$ 3,206,700</u>
Total pension liability - beginning	39,888,310	37,877,575	34,432,728	31,756,287	28,549,587
Total pension liability - ending (a)	<u>\$ 43,646,647</u>	<u>\$ 39,888,310</u>	<u>\$ 37,877,575</u>	<u>\$ 34,432,728</u>	<u>\$ 31,756,287</u>
Plan fiduciary net position					
Contributions - employer	\$ 1,456,158	\$ 1,456,290	\$ 1,657,364	\$ 1,631,376	\$ 1,805,628
Contributions - employee	600,347	604,855	594,812	612,289	567,988
Net investment income	2,861,156	4,132,170	601,656	1,352,935	3,750,530
Benefit payments	(1,258,873)	(1,458,745)	(829,583)	(517,420)	(581,740)
Administrator charges	(23,587)	(22,802)	(18,497)	(16,509)	(18,507)
Other	(2,593)	(3,728)	(244)	(293)	197
Net change in plan fiduciary net position	<u>\$ 3,632,608</u>	<u>\$ 4,708,040</u>	<u>\$ 2,005,508</u>	<u>\$ 3,062,378</u>	<u>\$ 5,524,096</u>
Plan fiduciary net position - beginning	38,150,597	33,442,527	31,437,019	28,374,641	22,850,545
Plan fiduciary net position - ending (b)	<u>\$ 41,783,205</u>	<u>\$ 38,150,597</u>	<u>\$ 33,442,527</u>	<u>\$ 31,437,019</u>	<u>\$ 28,374,641</u>
Authority's Net pension liability (asset) - ending (a) - (b)	<u>\$ 1,863,442</u>	<u>\$ 1,737,713</u>	<u>\$ 4,435,048</u>	<u>\$ 2,995,709</u>	<u>\$ 3,381,646</u>
Plan fiduciary net position as a percentage of the total pension liability	95.73%	95.64%	88.29%	91.30%	89.35%
Covered payroll	\$ 11,763,030	\$ 11,742,609	\$ 11,798,819	\$ 11,602,945	\$ 11,308,103
Authority's net pension liability (asset) as a percentage of covered payroll	15.84%	14.80%	37.59%	25.82%	29.90%

Schedule of Employer Contributions
 Pension Plan
 For the Years Ended June 30, 2015 through June 30, 2024

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	\$ 1,033,707	\$ 1,033,707	\$ -	\$ 5,782,173	18%
2023	1,414,496	1,414,496	-	7,854,365	18%
2022	1,378,849	1,378,849	-	8,416,936	16%
2021	1,635,606	1,635,606	-	10,003,396	16%
2020	1,561,897	1,561,897	-	12,239,258	13%
2019	1,510,000	1,510,000	-	11,808,262	13%
2018	1,456,158	1,456,158	-	11,763,030	12%
2017	1,455,626	1,455,626	-	11,742,609	12%
2016	1,658,914	1,658,914	-	11,798,819	14%
2015	1,631,374	1,631,374	-	11,602,945	14%

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

Notes to Required Supplementary Information
 Pension Plan
 For the Year Ended June 30, 2024

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-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 Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Exhibit 9

Schedule of Changes in Total OPEB Liability and Related Ratios
 Retiree Health Plan
 For the Years Ended June 30, 2018 through June 30, 2024

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service Cost	\$ 1,738	\$ 99,842	\$ 217,672	\$ 195,600	\$ 128,867	\$ 190,013	\$ 352,597
Interest on Total OPEB Liability	44,964	70,803	45,672	50,766	66,934	113,141	122,542
Effect of Economic/Demographic Gains or (Losses)	(1,012,679)	(789,772)	-	(549,461)	-	(740,871)	-
Effect of Assumption Changes or Inputs	(3,212)	(23,897)	(220,216)	135,562	151,004	(1,228,136)	(111,785)
Benefit Payments	(24,195)	(29,859)	(49,482)	(24,927)	(32,649)	(17,451)	(57,409)
Net Change in total OPEB Liability	\$ (993,384)	\$ (672,883)	\$ (6,354)	\$ (192,460)	\$ 314,156	\$ (1,683,304)	\$ 305,945
Total OPEB Liability, Beginning of Year	1,242,174	1,915,057	1,921,411	2,113,871	1,799,715	3,483,019	3,177,074
Total OPEB Liability, End of Year	<u>\$ 248,790</u>	<u>\$ 1,242,174</u>	<u>\$ 1,915,057</u>	<u>\$ 1,921,411</u>	<u>\$ 2,113,871</u>	<u>\$ 1,799,715</u>	<u>\$ 3,483,019</u>
Covered-Employee Payroll	\$ 255,998	\$ 8,329,156	\$ 12,628,419	\$ 12,628,419	\$ 10,353,129	\$ 10,353,129	\$ 10,611,500
Total OPEB Liability as of % of Covered-Employee Payroll	97.18%	14.91%	15.16%	15.21%	20.42%	17.38%	32.82%

This schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Retiree Health Plan
 For the Year Ended June 30, 2024

Valuation Date: 7/1/2022
 Measurement Date: 6/30/24

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

Methods and assumptions used to determine OPEB liability:

	<u>June 30, 2024</u>
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.93%
Inflation	2.50%
Healthcare Trend Rates	Medical trend rates consistent with information from the Getzen Trend Model. 4.50% in 2022 grading to an ultimate rate of 3.90% over 54 years
Salary Increases, Including Inflation	
Non-Law Officers	3.50% - 5.35%
Law Officers	3.50% - 4.75%
Retirement	Eligible retirees contribute 100% of the premium cost for retirees and spouses/dependent coverage
Disability	There are no age or service requirements for disabled members. Disabled members must apply for retirement while still employed, or within 90 days after termination. Disabled members are eligible for the same benefit as other retirees and pay the full premium.
Mortality Rates	
Pre-Retirement	RP-2014 Employee Mortality projected to 2020: Males set back 1 yr., Females set back 1 year (Public Safety set forward 1 year)
Post-Retirement	RP-2014 Combined Healthy Mortality projected to 2020, Males set forward 1 year, Females set back 1 year (Public Safety set forward 3 years)
Post-Disablement	RP-2014 Disabled Mortality projected to 2020: Males 115%, Females 130% of rates, Public Safety set forward 2 yrs. - unisex using 100% male

Schedule of Authority's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2023

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2023	0.03347%	\$ 401,410	\$ 7,883,965	5.09%	69.30%
2022	0.03890%	468,996	8,471,900	5.54%	67.21%
2021	0.04889%	569,212	10,094,609	5.64%	67.45%
2020	0.06000%	1,001,302	12,348,878	8.11%	52.64%
2019	0.06109%	994,097	11,975,217	8.30%	52.00%
2018	0.06221%	945,000	11,829,454	7.99%	51.22%
2017	0.06412%	965,000	11,828,134	8.16%	48.86%

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

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2015 through June 30, 2024

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	\$ 31,404	\$ 31,404	\$ -	\$ 5,813,434	0.54%
2023	42,573	42,573	-	7,883,965	0.54%
2022	45,748	45,748	-	8,471,900	0.54%
2021	54,456	54,456	-	10,094,609	0.54%
2020	64,864	64,864	-	12,348,878	0.53%
2019	62,716	62,716	-	11,975,217	0.52%
2018	61,987	61,987	-	11,829,454	0.52%
2017	61,506	61,506	-	11,828,134	0.52%
2016	56,952	56,952	-	11,865,030	0.48%
2015	56,103	56,103	-	11,688,187	0.48%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2024

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-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

Schedule of Authority's Share of Net OPEB Liability
 Virginia Local Disability Program (VLDP)
 For the Measurement Dates of June 30, 2017 through June 30, 2023

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2023	0.25240%	\$ (4,062)	\$ 1,545,056	-0.26%	116.89%
2022	0.27831%	(1,636)	1,303,853	-0.13%	107.99%
2021	0.18991%	(1,923)	762,853	-0.25%	119.59%
2020	0.18975%	1,894	707,063	0.27%	76.84%
2019	0.20459%	4,144	632,226	0.66%	49.19%
2018	0.13760%	1,000	334,092	0.30%	51.39%
2017	0.06415%	1,000	117,789	0.85%	38.40%

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

Schedule of Employer Contributions
 Virginia Local Disability Program (VLDP)
 For the Years Ended June 30, 2016 through June 30, 2024

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	\$ 12,334	\$ 12,334	\$ -	\$ 1,451,058	0.85%
2023	13,133	13,133	-	1,545,056	0.85%
2022	10,822	10,822	-	1,303,853	0.83%
2021	6,332	6,332	-	762,853	0.83%
2020	5,091	5,091	-	707,063	0.72%
2019	4,530	4,530	-	632,226	0.72%
2018	2,005	2,005	-	334,092	0.60%
2017	707	707	-	117,789	0.60%
2016	106	106	-	17,646	0.60%

Schedule is intended to show information for 10 years. There were no Hybrid VRS employees prior to FY 2016. However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Virginia Local Disability Program (VLDP)
 For the Year Ended June 30, 2024

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to Pub-2010 public sector mortality tables. 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 age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

OTHER SUPPLEMENTARY INFORMATION

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Reconciliation of Budgetary Expenditures to Operating Expenses June 30, 2024

Budgetary Highlights

The Authority adopts an annual budget which is based on the estimated operating, grant and capital expenditures for a fiscal year period. The total budget adopted for FY2024 was \$38,373,060 and contained all day-to-day operating expenses including personal services, employee benefits, purchased services, other charges, materials and supplies, and capital repairs and equipment.

Actual operating revenues fell below estimated revenues by \$8,907,043. This revenue decrease was the result of a decrease in Commonwealth per diems of \$347,701, a decrease in Commonwealth reimbursements of \$1,863,880 and a decrease in Member per diems of \$10,640,770. These decreases are due to the cessation of operations and reduction in staff effective April 1, 2024. Actual operating expenditures were \$11,669,284 less than budgeted. This was the result of the significant reduction in the inmate population and the reduction in staff during the final months of FY2024.

Budgetary Accounting and Control

Budget Preparation

The Authority prepares its annual budget in accordance with Section 3.8 of the Service Agreement approved by the member cities on December 1, 1995. A preliminary budget is approved by the Authority's Board and provided to the member cities by January 1 of each year and a final budget is approved by the Authority's Board and provided to the member cities by March 1 of each year. The budget is prepared by Authority staff and reviewed by the Finance Committee, consisting of four members of the Authority's Board prior to submission to the Authority's full board for approval. Per Diem rates for the member cities are adopted as part of the annual budget. Five-year projections for both revenues and expenses are also part of the annual budget submission as well as the five-year schedule of capital investment projections.

The Authority's Board approves any budget amendments and any transfers between object classes (i.e. categories) during the ensuing year. The Superintendent may transfer amounts within object classes. While the formal level of budgetary control rests at the object class level, management control is exercised at the sub-object level.

Budgetary Accounting

The annual budget is prepared on a basis of accounting consistent with generally accepted accounting principles. No provision is provided for non-cash items such as depreciation and compensated absences. Capital additions and inventory purchases are budgeted as expenditures. All unobligated appropriations lapse at the end of the fiscal year.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Reconciliation of Budgetary Expenditures to Operating Expenses
Fiscal Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget (over) under
Operating Expenditures and Debt Service				
Personal services	\$ 9,250,079	\$ 9,250,079	\$ 8,117,618	\$ 1,132,461
Employee benefits	4,783,832	4,783,832	432,781	4,351,051
Medical services	9,600,000	9,600,000	5,197,479	4,402,521
Other purchased services	2,988,269	2,988,269	1,494,568	1,493,701
Other charges	2,616,671	2,616,671	2,648,573	(31,902)
Materials and supplies	533,500	533,500	113,557	419,943
Capital outlay	495,000	495,000	560,717	(65,717)
Inmates commissary	195,000	195,000	130,428	64,572
Grant	-	-	97,346	(97,346)
Debt service	3,873,545	3,873,545	622,814	3,250,731
Total operating expenditures and debt service	\$ 34,335,896	\$ 34,335,896	\$ 19,415,881	\$ 14,920,015
Adjustments:				
Unbudgeted depreciation			\$ 3,232,903	
Debt service			(622,814)	
			<u>\$ 22,025,970</u>	

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Schedules of Revenues and Expenditures - Budget to Actual
Fiscal Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (over) under</u>
Operating Revenues				
Commonwealth of Virginia reimbursement	\$ 12,671,312	\$ 12,671,312	\$ 10,075,903	\$ 2,595,409
Commonwealth of Virginia per diems, net	845,000	845,000	263,257	581,743
US Marshall per diem	200,000	200,000	52,115	147,885
Member per diems	21,636,146	21,636,146	16,432,839	5,203,307
Telephone revenue	350,000	350,000	131,271	218,729
Inmates commissary	195,000	195,000	50,560	144,440
Inmates keep fees	70,000	70,000	25,193	44,807
Employees canteen	-	-	1,506	(1,506)
Miscellaneous revenues	15,000	15,000	42,771	(27,771)
Total operating revenues	<u>\$ 35,982,458</u>	<u>\$ 35,982,458</u>	<u>\$ 27,075,415</u>	<u>\$ 8,907,043</u>
Operating Expenditures				
Personal services	\$ 9,250,079	\$ 9,250,079	\$ 8,117,618	\$ 1,132,461
Employee benefits	4,783,832	4,783,832	432,781	4,351,051
Medical services	9,600,000	9,600,000	5,197,479	4,402,521
Other purchased services	2,988,269	2,988,269	1,494,568	1,493,701
Other charges	2,616,671	2,616,671	2,648,573	(31,902)
Materials and supplies	533,500	533,500	113,557	419,943
Capital outlay	495,000	495,000	560,717	(65,717)
Behavioral Health Grant Expenses	-	-	97,346	(97,346)
Inmates commissary sales commissions	195,000	195,000	130,428	64,572
Total operating expenditures	<u>\$ 30,462,351</u>	<u>\$ 30,462,351</u>	<u>\$ 18,793,067</u>	<u>\$ 11,669,284</u>
Excess (deficit) of operating revenues (over) under operating expenditures	<u>\$ 5,520,107</u>	<u>\$ 5,520,107</u>	<u>\$ 8,282,348</u>	<u>\$ (2,762,241)</u>
Nonoperating revenues				
Commonwealth Grant Funds	\$ -	\$ -	\$ 101,778	\$ (101,778)
ARPA Grant	-	-	168,308	(168,308)
Investment income	280,000	280,000	440,536	(160,536)
Cash from reserves	2,264,000	2,264,000	-	2,264,000
Total nonoperating revenues	<u>\$ 2,544,000</u>	<u>\$ 2,544,000</u>	<u>\$ 710,622</u>	<u>\$ 1,833,378</u>
Nonoperating expenses				
Capital repair/replacement	\$ 4,037,164	\$ 4,037,164	\$ 4,955,073	\$ (917,909)
Debt service				
Principal	3,873,545	3,873,545	5,000	3,868,545
Interest and fiscal charges	-	-	567,709	(567,709)
Defeasance of debt	-	-	50,105	(50,105)
Total debt service	<u>\$ 3,873,545</u>	<u>\$ 3,873,545</u>	<u>\$ 622,814</u>	<u>\$ 3,250,731</u>
Total nonoperating expenses	<u>\$ 7,910,709</u>	<u>\$ 7,910,709</u>	<u>\$ 5,577,887</u>	<u>\$ 2,332,822</u>
Excess (deficit) of revenues (over) under expenditures	<u>\$ 153,398</u>	<u>\$ 153,398</u>	<u>\$ 3,415,083</u>	<u>\$ (3,261,685)</u>
Net position - July 1, 2023			\$ 25,039,683	
Depreciation			(3,232,903)	
Capital asset additions			4,955,073	
Principal payment on debt			5,000	
Net position - June 30, 2024			<u>\$ 30,181,936</u>	

COMPLIANCE SECTION



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**To the Members of
Hampton Roads Regional Jail Authority
Portsmouth, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and aggregate remaining fund information of Hampton Roads Regional Jail Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Hampton Roads Regional Jail Authority's basic financial statements and have issued our report thereon dated March 31, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Robinson Farver Cox Associates

Charlottesville, Virginia

March 31, 2026