Middle Peninsula Juvenile Detention Commission

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

June 30, 2020 and 2019

Middle Peninsula Juvenile Detention Commission

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BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Middle Peninsula Juvenile Detention Commission as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middle Peninsula Juvenile Detention Commission as of June 30, 2020 and 2019, and the changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 19, 2020**,** on our consideration of the Middle Peninsula Juvenile Detention Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Middle Peninsula Juvenile Detention Commission's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News**,** Virginia
October 19, 2020

This section of the Middle Peninsula Juvenile Detention Commission's (the Commission) annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal years ended June 30, 2020 and 2019.

Financial Highlights

The Commission had a decrease of ($44,636) and an increase of $529,962 in net position for fiscal years 2020 and 2019, respectively. In fiscal year 2020, revenue from the member jurisdictions decreased due to a refund provided to member jurisdictions. In fiscal year 2019, revenue from the member jurisdictions increased due to an increase in the per diem rate.

Overview of the Financial Statements

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

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

Financial Analysis

Summary of Statement of Net Position

	6/30/2020	6/30/2019	6/30/2018
Current and other assets	$ 2,842,472	$ 2,086,020	$ 2,106,647
Capital assets, net of accumulated depreciation	3,870,372	3,262,593	3,435,628
Total assets	6,712,844	5,348,613	5,542,275
Deferred outflow of resources	264,441	80,396	-
Total assets and deferred outflows	$ 6,977,285	$ 5,429,009	$ 5,542,275
Current liabilities	$ 754,369	$ 223,625	$ 871,426
Noncurrent liabilities	1,133,894	89,406	84,086
Total liabilities	1,888,263	313,031	955,512
Deferred inflow of resources	23,608	5,928	6,675
Net investment in capital assets	2,838,453	3,262,593	3,435,628
Restricted	301,639	-	-
Unrestricted	1,925,322	1,847,457	1,144,460
Total net position	5,065,414	5,110,050	4,580,088
Total liabilities, deferred inflows, and net position	$ 6,977,285	$ 5,429,009	$ 5,542,275

Total assets increased by $1,364,231 for the year ending June 30, 2020, and decreased by ($193,662) for the year ending June 30, 2019. The increase in 2020 is primarily due to an increase in construction in progress related to facility and electrical improvements. The decrease in 2019 is primarily due to depreciation on capital assets.

Total liabilities increased by $1,575,232 in fiscal year 2020 and decreased by ($642,481) in fiscal year 2019. The increase in 2020 was primarily due to a financing lease agreement entered into with SunTrust Equipment Finance and Leasing Corporation to fund the purchase of equipment. Additional information on this agreement can be found in Note 8 to the basic financial statements. The decrease in 2019 was primarily due to a decrease in unearned revenue at the end of the fiscal year.

For fiscal years 2020 and 2019, deferred outflows of resources increased by $184,045 and $80,396, respectively, and deferred inflows of resources increased by $17,680 and decreased by ($747), respectively. These deferred outflows and inflows of resources consisted of employer contributions subsequent to the measurement date, changes in assumptions, changes in proportion, and differences between expected and actual experience and between projected and actual earnings on plan investments related to the Commission's pension and OPEB plans. These deferred outflows and deferred inflows are reported on the Commission's Statements of Net Position for fiscal years 2020 and 2019.

At June 30, 2020 and 2019, net position for the Commission was $5,065,414 and $5,110.050, respectively.

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

	6/30/2020	6/30/2019	6/30/2018
Fees from member jurisdictions	$ 1,256,648	$ 1,827,313	$ 1,716,400
Other operating revenues	2,935,985	2,985,825	2,910,899
Total operating revenues	4,192,633	4,813,138	4,627,299
Salaries, wages and benefits	3,579,251	3,501,232	3,612,729
Other expenses	678,654	815,083	848,335
Total operating expenses	4,257,905	4,316,315	4,461,064
Operating income (loss)	(65,272)	496,823	166,235
Net nonoperating revenues (expenses)	20,636	33,139	7,860
Change in net position	(44,636)	529,962	174,095
Net position, beginning of year	5,110,050	4,580,088	4,405,993
Net position, end of year	$ 5,065,414	$ 5,110,050	$ 4,580,088

One of the primary sources of revenue for the Commission is the fees from the member jurisdictions for which they serve. For fiscal years 2020 and 2019, fees from member jurisdiction decreased by (31.2%) and increased by 6.5%, respectively. The decrease for fiscal year 2020 was due to a surplus refund of $518,000 that was issued to the member jurisdictions in June 2020. The increase for fiscal year 2019 was due to an increase in the per diem rate to $168.20 from $154.24.

Other operating revenues consist primarily of funds from the state and federal governments, and decreased by ($49,840) from 2019, mainly due to a decrease in enrollment based block grants and a decline in state assessments. For 2019, other operating revenues increased by $74,926 from 2018 due to an increase in the contract rate from the Department of Juvenile Justice.

Salaries, wages, and benefits accounted for 84.1% and 81.1% of the Commission's total operating expenses in fiscal years 2020 and 2019, respectively. Personnel costs increased by $78,019 in 2020, which was attributable to a one time compensation adjustment of $115,000 in May and increased on-call staff hours. Personnel costs decreased by ($111,497) in 2019, which was attributable to unfilled counselor positions.

Other operating expenses decreased by ($136,429) from 2019 primarily due to a decrease in the use of professional services and supplies. Other operating expenses decreased by ($33,252) from 2018 primarily due to a decrease in the use of professional services.

For 2020 and 2019, net nonoperating revenues (expenses) consisted of interest earned on investments and losses on the disposal of capital assets.

Total net position decreased by ($44,636) and increased by $529,962 for the fiscal years ended June 30, 2020 and 2019, respectively, mainly due to the reasons enumerated above.

Capital Assets

	6/30/2020	6/30/2019	6/30/2018
Nondepreciable	$ 932,656	$ 124,438	$ 118,354
Depreciable, net	2,937,706	3,138,155	3,317,274
Capital assets, net	$ 3,870,362	$ 3,262,593	$ 3,435,628

During fiscal year 2020, the Commission began several significant facility upgrades and energy improvements to the HVAC system, a boiler, a chiller, and lighting. These facility improvements resulted in an increase in nondepreciable assets of $808,218 for the related construction in progress. In addition, installation of a new gym compressor and improvements to the intake office were completed in fiscal year 2020. During fiscal year 2019, the Commission installed security features in the reception area, added a convection steamer to the kitchen, and installed office fixtures.

For both fiscal years 2020 and 2019, the decreases in net depreciable capital assets primarily resulted from the net effect of any additions or disposals, and the depreciation expense incurred. Additional information can be found in Note 4 to the basic financial statements.

Requests for Financial Information

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

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Middle Peninsula Juvenile Detention Commission
Statements of Net Position

	06/30/20	06/30/19
Assets and Deferred Outflows of Resources		
Current assets		
Cash and short-term investments (Note 2)	$ 2,528,524	$ 2,020,108
Restricted cash, cash equivalents and investments (Note 2)	289,485	-
Accounts receivable (Note 3)	11,875	63,927
Due from James City County	434	1,985
Total current assets	2,830,318	2,086,020
Health insurance credit OPEB asset (Note 7)	12,154	-
Capital assets (Note 4)		
Nondepreciable	932,666	124,438
Depreciable, net	2,937,706	3,138,155
Capital assets, net	3,870,372	3,262,593
Deferred outflows of resources		
Deferred pension plan (Note 6)	139,009	66,196
Deferred retiree healthcare OPEB plan (Note 7)	10,214	3,243
Deferred group life insurance OPEB plan (Note 7)	102,109	5,964
Deferred health insurance credit OPEB plan (Note 7)	3,178	1,366
Deferred Virginia local disability program OPEB plan (Note 7)	9,931	3,627
Total deferred outflows of resources	264,441	80,396
Total assets and deferred outflows of resources	$ 6,977,285	$ 5,429,009
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities		
Accounts payable	$ 62,093	$ 42,150
Retainage payable	40,715	-
Capital lease payable (Note 8)	83,492	-
Accrued payroll and compensated absences	207,889	181,475
Unearned revenue	360,180	-
Total current liabilities	754,369	223,625
Noncurrent liabilities		
Capital lease payable (Note 8)	948,427	-
Net group life insurance OPEB liability (Note 7)	94,382	-
Retiree healthcare OPEB plan liability (Note 7)	87,783	89,406
Net Virginia local disability program OPEB liability (Note 7)	3,302	-
Total noncurrent liabilities	1,133,894	89,406
Total liabilities	1,888,263	313,031
Deferred inflow of resources		
Deferred retiree healthcare OPEB plan (Note 7)	17,371	5,928
Deferred group life insurance OPEB plan (Note 7)	6,009	-
Deferred Virginia local disability program OPEB plan (Note 7)	228	-
Total deferred inflows of resources	23,608	5,928
Net position		
Net investment in capital assets	2,838,453	3,262,593
Restricted for financing lease	289,485	-
Restricted for health insurance credit OPEB	12,154	-
Unrestricted	1,925,322	1,847,457
Total net position	5,065,414	5,110,050
Total liabilities, deferred inflow of resources, and net position	$ 6,977,285	$ 5,429,009

See accompanying notes to financial statements.

Middle Peninsula Juvenile Detention Commission
Statements of Revenues, Expenses and Changes in Net Position

	Years Ended 06/30/20	Years Ended 06/30/19
Operating revenues		
Fees from member jurisdictions	$ 1,256,648	$ 1,827,313
Commonwealth of Virginia	2,854,402	2,880,667
Federal government	64,931	95,583
Fees from nonmember jurisdictions	-	505
Other	16,652	9,070
Total operating revenues	4,192,633	4,813,138
Operating expenses		
Salaries and wages	2,671,081	2,587,330
Employee benefits	908,170	913,902
Depreciation	204,708	211,507
Supplies	181,211	202,668
Professional services	135,972	178,032
Utilities	87,327	97,669
Miscellaneous	22,792	34,824
Insurance	18,127	17,298
Training	11,002	10,533
Minor furniture and equipment	8,963	18,830
COVID-19 pandemic costs	8,552	-
Capital improvements	-	37,800
Purchase of bedspace	-	5,922
Total operating expenses	4,257,905	4,316,315
Operating income (loss)	(65,272)	496,823
Nonoperating revenues (expenses)		
Interest income	36,416	37,520
Loss on disposal of capital assets	(15,780)	(4,381)
Total nonoperating revenue, net	20,636	33,139
Change in net position	(44,636)	529,962
Net position, beginning of year	5,110,050	4,580,088
Net position, end of year	$ 5,065,414	$ 5,110,050

See accompanying notes to financial statements.

Middle Peninsula Juvenile Detention Commission
Statements of Cash Flows

	Years Ended 06/30/20	Years Ended 06/30/19
Cash flows from operating activities:		
Cash received from customers	$ 4,602,782	$ 4,154,085
Cash payments to suppliers for goods and services	(454,003)	(560,533)
Cash payments for personnel services	(3,635,295)	(3,573,219)
Net cash provided by operating activities	513,484	20,333
Cash flows from capital and related financing activities:		
Proceeds from financing lease	1,031,919	-
Acquisition and construction of capital assets	(787,578)	(43,404)
Proceeds from sale of capital assets	551	-
Net cash provided by capital and financing activities	244,892	(43,404)
Cash flows from investment activities:		
Interest received	39,525	34,678
Increase in cash and short-term investments	797,901	11,607
Cash, cash equivalents, and short-term investments, beginning of year	2,020,108	2,008,501
Cash, cash equivalents, and short-term investments, end of year	$ 2,818,009	$ 2,020,108
Reconciliation of cash, cash equivalents and short-term investments to statement of net position		
Cash and short-term investments	$ 2,528,524	$ 2,020,108
Restricted cash, cash equivalents and investments	289,485	-
Total	$ 2,818,009	$ 2,020,108
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ (65,272)	$ 496,823
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	204,708	211,507
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Accounts receivable	48,418	(2,011)
Due from James City County	1,551	(162)
Prepaid expenses	-	37,800
Accounts payable	19,943	5,243
Accrued payroll and compensated absences	26,414	3,836
Unearned revenue	360,180	(656,880)
Pension deferred outflows	(72,813)	(66,196)
Retiree healthcare OPEB liability, deferred outflows/inflows	2,849	1,330
Group life insurance OPEB liability, deferred outflows/inflows	4,246	(5,964)
Health insurance credit OPEB asset, deferred outflows	(13,966)	(1,366)
Virginia local disability program OPEB liability, deferred outflows/inflows	(2,774)	(3,627)
Total adjustments	578,756	(476,490)
Net cash provided by operating activities	$ 513,484	$ 20,333
Noncash capital and financing activities:		
Construction in progress included in retainage payable at June 30	$ 40,715	$ -
Construction in progress included in accounts payable at June 30	31,613	-
Proceeds from sale included in accounts receivable at June 30	26	551
Total noncash capital and financing activities	$ 72,354	$ 551
Noncash investing activity:		
Interest income included in accounts receivable at June 30	$ 746	$ 3,855

See accompanying notes to financial statements.

1) Summary of Significant Accounting Policies

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

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

Reporting Entity

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

Basis of Accounting and Presentation

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

Cash Equivalents

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

Capital Assets

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

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

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

1) Summary of Significant Accounting Policies, Continued

Deferred Outflows and Inflows of Resources

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

Fees Revenue

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

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

Unearned Revenue

Unearned revenue consists of funds received by the Commission that have not yet met the criteria for revenue recognition as of the end of the fiscal year. At June 30, 2020, the Commission had unearned revenue of $360,180 received from the Department of Juvenile Justice related to the Community Placement Program that will be recognized as revenue when earned in fiscal year 2021. There was no unearned revenue at June 30, 2019.

Estimates

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

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

The Commission's cash, cash equivalents, and short-term investments at June 30, 2020 and 2019, consist of:

	6/30/2020	6/30/2019
Bank deposits	$ 541,010	$ 272,142
Change fund	1,000	1,000
Amount held for others	178	154
Investments	2,275,821	1,746,812
Total	$ 2,818,009	$ 2,020,108
Reconcilation to Statement of Net Position:		
Cash and short-term investments	$ 2,528,524	$ 2,020,108
Restricted cash, cash equivalents, and investments	289,485	-
Total	$ 2,818,009	$ 2,020,108

Restricted cash of $289,485 consists of escrow funds held by in a collateralized account by SunTrust Bank for disbursements to ABM Building Services, LLC, for services rendered under the agreement detailed in Note 8.

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

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

The Commission's investments at June 30, 2020 and 2019, were as follows:

	6/30/2020			6/30/2019		
Investment Type		**Amount**	**Maturity**		**Amount**	**Maturity**
LGIP (amortized cost)	$	1,986,336	1 day	$	1,746,812	1 day
Money market (cost)		289,485	1 day		-	1 day
	$	2,275,821		$	1,746,812	

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

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

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

Credit Risk

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

As of June 30, 2020 and 2019, the Commission's investment in LGIP was rated AAAm by Standard & Poor's. The Commission's money market investments were unrated as of June 30, 2020.

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

Concentration of Credit Risk

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

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

Interest Rate Risk

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

Custodial Credit Risk

The Policy requires that all investment securities purchased by the Commission or held as collateral on deposits or investments shall be held by the Commission or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2020 and 2019, all of the Commission's investments are held in a bank's trust department in the Commission's name.

3) Accounts Receivable

Amounts due from miscellaneous sources at June 30, 2020 and 2019, are detailed as follows:

	6/30/2020	6/30/2019
Federal government	$ 4,594	$ 49,601
Commonwealth	6,509	9,921
Interest	746	3,855
Other	26	550
Total	$ 11,875	$ 63,927

4) Capital Assets

The following is a summary of the capital assets activity for the years ended June 30, 2020 and 2019:

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020
Capital assets, non-depreciable:				
Land and land improvements	$ 118,354	$ -	$ -	$ 118,354
Construction in progress	6,084	814,312	(6,084)	814,312
Total capital assets, non-depreciable	124,438	814,312	(6,084)	932,666
Capital assets, depreciable:				
Building	6,201,592	12,167	(10,165)	6,203,594
Machinery and equipment	622,997	7,898	(54,048)	576,847
Improvements other than building	124,935	-	-	124,935
Total capital assets, depreciable	6,949,524	20,065	(64,213)	$ 6,905,376
Less accumulated depreciation for:				
Building	3,308,264	157,469	(1,906)	3,463,827
Machinery and equipment	441,743	42,882	(46,501)	438,124
Improvements other than building	61,362	4,357	-	65,719
Total accumulated depreciation	3,811,369	204,708	(48,407)	3,967,670
Capital assets, depreciable, net	3,138,155	(184,643)	(15,806)	2,937,706
Net capital assets	$ 3,262,593	$ 629,669	$ (21,890)	$ 3,870,372

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019
Capital assets, non-depreciable:				
Land and land improvements	$ 118,354	$ -	$ -	$ 118,354
Construction in progress	-	6,084	-	6,084
Total capital assets, non-depreciable	118,354	6,084	-	124,438
Capital assets, depreciable:				
Building	6,193,622	7,970	-	6,201,592
Machinery and equipment	724,571	29,350	(130,924)	622,997
Improvements other than building	124,935	-	-	124,935
Total capital assets, depreciable	7,043,128	37,320	(130,924)	$ 6,949,524
Less accumulated depreciation for:				
Building	3,151,284	156,980	-	3,308,264
Machinery and equipment	517,565	50,170	(125,992)	441,743
Improvements other than building	57,005	4,357	-	61,362
Total accumulated depreciation	3,725,854	211,507	(125,992)	3,811,369
Capital assets, depreciable, net	3,317,274	(174,187)	(4,932)	3,138,155
Net capital assets	$ 3,435,628	$ (168,103)	$ (4,932)	$ 3,262,593

Construction in progress at June 30, 2020, consists of an energy improvement and upgrade project. The total amount committed to this project is $1,031,919, of which $217,607 is still outstanding at year end.

5) Transactions with Related Parties

Certain financial management and accounting services are provided to the Commission by the County. The charges for these services amounted to $29,000 during the years ended June 30, 2020 and 2019, and are included in professional services in the accompanying statements of revenues, expenses, and changes in net position.

6) Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's retirement plan and the additions to/deductions from the Commission's retirement plan's net fiduciary position have been determined on the same basis as they were reported by 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.

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

6) Pensions, Continued

<table>
<tr>
<td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election
VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP</td>
<td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 2 or ORP.</td>
<td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</td>
</tr>
<tr>
<td>Retirement Contributions
Employees contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</td>
<td>Retirement Contributions
Same as Plan 1.</td>
<td>Retirement Contributions
A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</td>
</tr>
</table>

6) Pensions, Continued

Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** *Defined Benefit Component:* Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. *Defined Contributions Component:* Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** *Defined Benefit Component:* Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. *Defined Contributions Component:* Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

6) Pensions, Continued

		Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distributions not required, except as governed by law.
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** *Defined Benefit Component:* See definition under Plan 1. *Defined Contributions Component:* The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier ***VRS:*** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** ***VRS:*** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** *Defined Benefit Component:* ***VRS:*** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

6) Pensions, Continued

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. ***Political subdivision hazardous duty employees:*** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	***Sheriffs and regional jail superintendents:*** Same as Plan 1. ***Political subdivision hazardous duty employees:*** Same as Plan 1.	***Sheriffs and regional jail superintendents:*** Not applicable. ***Political subdivision hazardous duty employees:*** Not applicable. *Defined Contributions Component:* Not applicable.
Normal Retirement Age ***VRS:*** Age 65. ***Political subdivisions hazardous duty employees:*** Age 60.	**Normal Retirement Age** ***VRS:*** Normal Social Security retirement age. ***Political subdivisions hazardous duty employees:*** Same as Plan 1.	**Normal Retirement Age** *Defined Benefit Component:* **VRS:** Same as Plan 2. ***Political subdivisions hazardous duty employees:*** Not applicable. *Defined Contributions Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility ***VRS:*** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. ***Political subdivisions hazardous duty employees:*** Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	**Earliest Unreduced Retirement Eligibility** ***VRS:*** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90. ***Political subdivisions hazardous duty employees:*** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** *Defined Benefit Component:* ***VRS:*** Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90. ***Political subdivisions hazardous duty employees:*** Not applicable. *Defined Contributions Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

6) Pensions, Continued

Earliest Reduced Retirement Eligibility ***VRS:*** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. ***Political subdivisions hazardous duty employees:*** Age 50 with at least five years of service credit.	**Earliest Reduced Retirement Eligibility** ***VRS:*** Age 60 with at least five years (60 months) of service credit. ***Political subdivisions hazardous duty employees:*** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** *Defined Benefit Component:* ***VRS:*** Age 60 with at least five years (60 months) of service credit. ***Political subdivisions hazardous duty employees:*** Not applicable. *Defined Contributions Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. *Eligibility:* For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. *Exceptions to COLA Effective Dates:* The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. *Eligibility:* Same as Plan 1. *Exceptions to COLA Effective Dates:* Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** *Defined Benefit Component:* Same as Plan 2. *Defined Contributions Component:* Not applicable. *Eligibility:* Same as Plan 1 and Plan 2. *Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2.

6) Pensions, Continued

• The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** *Defined Benefit Component:* Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. *Defined Contributions Component:* Not applicable.

6) Pensions, Continued

<u>Contributions</u>

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

The Commission's contractually required employer contribution rate for the year ended June 30, 2020, was 5.82% of covered employee compensation. This rate was based on an actuarially determined rate from the Virginia Retirement System.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were $139,009 and $66,196 for the years ended June 30, 2020, and June 30, 2019, respectively.

<u>Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

The Commission separated from the County's VRS plan in fiscal year 2019. Until actuarial studies specific to the Commission's pension plan are available, the Commission has no net pension liability or pension expense to record for the years ended June 30, 2020 and 2019. In addition, due to the lack of an actuarial study, all disclosures concerning actuarial assumptions, expected rate of return on pension plan investments, and discount rate have been excluded.

At June 30, 2020, the Commission reported deferred outflows of resources related to pensions of $139,009. This amount resulted from the Commission's contributions to the plan subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the fiscal year ending June 30, 2021.

<u>Pension Plan Data</u>

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

7) Other Post-Employment Benefits (OPEB)

Multiple Employer Cost-Sharing Plan – Retiree Healthcare

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

<u>Plan Description</u>

Participants must be eligible to retire under VRS and must be full-time active employees who retire directly from the Commission and are at least 55 years of age with 15 years of service. Each year, retirees participating in the Commission's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. For fiscal year 2020, the pre-Medicare retirees have a choice of two plans offered by Cigna. Dental plans are available at the retiree's cost and therefore, there is no employer obligation. There is no coverage for post-Medicare retirees.

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

Funding Policy

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

Actuarial Methods and Assumptions

For the actuarial valuation at January 1, 2020 and July 1, 2017 (measurement dates of June 30, 2019 and 2018, respectively), the entry age normal funding method was used. The goal of this method is that the annual accrual (or normal cost) be a level percent of pay throughout an employee's career. This method requires a salary increase assumption. The normal cost percentage is equal to the present value of benefits divided by the present value of future salary determined when the employee was hired. The actuarial accrued liability is equal to the present value of benefits minus the normal cost percentage times the present value of future salaries at the valuation date.

The actuarial assumptions included calculations based on a discount rate of 3.13% and 3.62% for June 30, 2019 and 2018, respectively, for the unfunded liability. Benefits are discounted based on an index rate for 20-year tax exempt general obligation (GO) municipal bonds with an average rating of AA/Aa or higher.

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

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

For the actuarial valuation dated July 1, 2017, the medical trend assumption was changed from the previous valuation to an assumption developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in December 2007 and revised in 2014. The following assumptions were used as input variables into this model:

Inflation	2.20%
Rate of growth in real income/ GDP per capita	1.63%
Income multiplier for health spending	1.30
Extra trend due to technology and other factors	1.40%
Health share of GDP resistance point	25.00%
Year for limiting cost growth to GDP growth	2075

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

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

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

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

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

Mortality decrements used in the July 1, 2017, valuation:

- Pre-Retirement
  - General: RP 2000 Employee Mortality Table Projected with Scale AA to 2020, males set forward 2 years and females set back 3 years
  - LEOS: RP 2000 Employee Mortality Table Projected with Scale AA to 2020, males and females set back 2 years
- Post-Retirement
  - General: RP 2000 Combined Mortality Table Projected with Scale AA to 2020, females back 1 year
  - LEOS: RP 2000 Combined Mortality Table Projected with Scale AA to 2020, males set forward 1 year
- Disabled: RP 2000 Disabled Mortality Table, males set back 3 years not fully generational

Changes in Assumptions Since Prior Valuation

- Discount rate was updated to 3.15% (the latest 20-year municipal GO AA Index as of June 30, 2019).
- Mortality assumptions were updated to the latest SOA public sector experience study rates.
- Medical trend was updated based on SOA Long-Run Medical Cost Trend Model.

Changes in Assumptions for the July 1, 2017 valuation:

- Discount rate was updated as required under the GASB 75 standard.
- Decrement and mortality assumptions were updated to the most recent VRS assumptions.
- Election rate was decreased from 50% to 40% for participants currently with coverage and 50% to 30% for participants who elect coverage at retirement taking spousal coverage.
- Claims assumption was updated to include the most recent plan experience.

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

Retiree Healthcare OPEB Liability

At June 30, 2020 and 2019, the Commission reported retiree healthcare OPEB liabilities of $87,783 and $89,406, respectively, for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2020, retiree healthcare OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation performed January 1, 2020. The County's June 30, 2019, retiree healthcare OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation performed July 1, 2017. The Commission's proportion of the County's retiree healthcare OPEB liability was based on the Commission's projected long-term contribution effort to the OPEB plan as compared to the total projected long-term contribution effort of all contributing entities to determine the Commission's proportion. At June 30, 2020 and 2019, the Commission's proportion of the County's retiree healthcare OPEB liability was 1.68% and 1.52%, respectively.

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

The following presents the OPEB liability using the discount rate of 3.13%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current rate for the measurement date of June 30, 2019. In addition, the retiree healthcare OPEB liability as of the June 30, 2018 measurement date is presented using the discount rate at that time of 3.62%, as well as what the OPEB liability would be using a discount rate one percentage point lower (2.62%) and one percentage point higher (4.62%):

	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Retiree Healthcare OPEB Liability, June 30, 2019	$ 96,210	$ 87,783	$ 80,040

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Retiree Healthcare OPEB Liability, June 30, 2018	$ 98,532	$ 89,406	$ 81,130

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

The following presents the retiree healthcare OPEB liability using the health care cost trend rate of 4.00%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate for the June 30, 2019 and 2018 measurement dates:

	1% Decrease (3.00%)	Ultimate Trend Rate (4.00%)	1% Increase (5.00%)
Retiree Healthcare OPEB Liability, June 30, 2019	$ 77,518	$ 87,783	$ 99,886

	1% Decrease (3.00%)	Ultimate Trend Rate (4.00%)	1% Increase (5.00%)
Retiree Healthcare OPEB Liability, June 30, 2018	$ 77,798	$ 89,406	$ 103,235

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

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

For the year ended June 30, 2020 and 2019, the Commission recognized retiree healthcare OPEB expense of $7,942 and $7,483, respectively. Since there was a change in the proportionate share between measurement dates, a portion of the retiree healthcare OPEB expense was related to deferred amounts from changes in proportion. At June 30, 2020 and 2019, deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB from the following sources were reported:

June 30, 2020:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 2,992	$ 9,373
Changes of assumptions	-	7,942
Change in proportion	7,222	56
Total	$ 10,214	$ 17,371

June 30, 2019:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 3,243	$ -
Changes of assumptions	-	5,861
Change in proportion	-	67
Total	$ 3,243	$ 5,928

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB as of June 30, 2020, will be recognized in retiree healthcare OPEB expense as follows:

Year Ended	
2021	$ (1,630)
2022	(1,630)
2023	(1,630)
2024	(1,630)
2025	(636)
Thereafter	(1)
	$ (7,157)

Multiple Employer Cost-Sharing Plan – Group Life Insurance

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

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

Plan Description

All full-time, salaried permanent employees of the Commission are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out below:

Eligible Employees: the Group Life Insurance Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: City of Richmond, City of Portsmouth, City of Roanoke, City of Norfolk, and Roanoke City School Board. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts: the benefits payable under the Group Life Insurance Program have several components.

- Natural death benefit - equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental death benefit - double the natural death benefit.
- Other benefit provisions - the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

Reduction in benefit amounts: benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum benefit amount and Cost-of-living adjustment (COLA): for covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,463 and $8,279 as of June 30, 2020 and 2019, respectively.

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

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% 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 years ended June 30, 2020 and 2019, was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 Program from the Commission were $12,495 and $5,964 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the Commission reported a liability of $94,382, for its proportionate share of the Net GLI OPEB liability. The Net GLI OPEB liability was measured as of June 30, 2019 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, 2018, and rolled forward to the measurement date of June 30, 2019. The Commission's proportion of the Net GLI OPEB liability was based on the Commission's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018, and rolled forward to the measurement date of June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Commission's proportion was 0.00580%. The Commission was included with its fiscal agent in prior fiscal years, therefore, the Commission did not have its own proportion at June 30, 2018.

For the year ended June 30, 2020, the Commission recognized GLI OPEB expense of $16,703. 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, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 6,277	$ 1,224
Net difference between projected and actual investment earnings on OPEB Plan investments	-	1,939
Changes of assumptions	5,959	2,846
Changes in proportionate share	77,378	-
Employer contributions subsequent to the measurement date	12,495	-
Total	$ 102,109	$ 6,009

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

At June 30, 2019, the Commission reported deferred outflow of resources of $5,964 for contributions subsequent to the measurement date. The $12,495 reported as deferred outflows of resources related to the GLI OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended		
2021	$	14,856
2022		14,856
2023		15,677
2024		16,427
2025		16,460
Thereafter		5,329
Total	$	83,605

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

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

Mortality rates:

Largest 10 Locality Employers – General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

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

Post-Disablement:
RP-2014 disability mortality rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Non-Largest 10 Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,390,238
Plan Fiduciary Net Position	1,762,972
Employers' Net GLI OPEB Liability (Asset)	$ 1,627,266
Plan Fiduciary Net Position as a % of the Total GLI OPEB Liability	52.00%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS'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 VRS's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Onvestment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.63%

**The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.*

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 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 Commission's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Commission's proportionate share of the Group Life Insurance Plan Net OPEB Liability	$ 123,991	$ 94,382	$ 70,369

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Agent Multiple Employer Plan – Health Insurance Credit Program

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the VRS Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Plan Description

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

The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out below:

Eligible employees: The political subdivision retiree health insurance credit program was established July 1, 1993 for retired political subdivision employees or employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees of participating are enrolled automatically upon employment. They include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit amounts: The political subdivision's retiree health insurance credit program provides the following benefits for eligible employees:

- At retirement: For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month.
- Disability retirement: For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

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

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Commission's contractually required employer contribution rate for the year ended June 30, 2020 and 2019, was 0.12% of covered employee compensation. Contributions from the Commission to the Political Subdivision Health Insurance Credit Program were $2,865 and $1,366 for the years ended June 30, 2020 and 2019, respectively.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a lognormal 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:

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Onvestment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.63%

**The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.*

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability (Asset):

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a) - (b)
Balances at June 30, 2018	$ -	$ -	$ -
Changes for the year:			
Service cost	-	-	-
Interest	-	-	-
Difference between expected and actual experience	-	-	-
Contributions - employer	-	1,366	(1,366)
Net investment income	-	33	(33)
Benefit payments	-	-	-
Administrative expense	-	(2)	2
Other changes	-	10,757	(10,757)
Net changes	-	12,154	(12,154)
Balances at June 30, 2019	$ -	$ 12,154	$ (12,154)

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

Sensitivity of the Political Subdivision Health Insurance Credit Net OPEB Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
HIC OPEB liability (asset) as of June 30, 2020	$ (12,154)	$ (12,154)	$ (12,154)

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the years ended June 30, 2020, the Commission recognized HIC OPEB expense (recovery) of $(11,101). At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to the Commission's Health Insurance Credit Program from the following sources:

	6/30/2020	
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual investment earnings on OPEB Plan investments	313	-
Employer contributions subsequent to the measurement date	2,865	-
Total	$ 3,178	$ -

The $2,865 reported as deferred outflows of resources related to the HIC OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as an increase to the Net HIC OPEB Asset in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year ended	
2021	$ 78
2022	78
2023	78
2024	79
2025	-
Thereafter	-
Total	$ 313

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

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Multiple Employer Cost-Sharing Plan – Virginia Local Disability Program

The VRS Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the VRS Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is 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. 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 employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

Eligible Employees: The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

Benefit Amounts: The Political Subdivision Employee Virginia Disability Local Program provides the following benefits for eligible employees:

- Short-term disability: The program 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 of work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

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

- Long-term disability: The VLDP program 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.

Virginia Local Disability Program 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.

Contributions

The contribution requirement 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, 2020 and 2019, was 0.72% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Commission to the VRS Political Subdivision Employee Virginia Local Disability Program were $6,912 and $3,627 for the years ended June 30, 2020 and June 30, 2019, respectively.

Virginia Local Disability Program (VLDP) OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At June 30, 2020, the Commission reported a liability of $3,302 for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2019, and the total VRS Political Subdivision Employee VLDP OPEB liability used to calculate the Net VRS Political Subdivision Employee VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Commission's proportion of the Net VLDP OPEB Liability was based on the Commission's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Commission's proportion of the VRS Political Subdivision Employee VLDP was 0.16302%. The Commission was included with its fiscal agent in prior fiscal years; therefore, the Commission did not have its own proportion at June 30, 2018.

For the year ended June 30, 2020, the Commission recognized VLDP OPEB expense of $4,138. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

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

	6/30/2020	
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 1,656	$ 102
Changes of assumptions	95	126
Net difference between projected and actual investment earnings on OPEB Plan investments	11	-
Changes of proportions	1,257	-
Employer contributions subsequent to the measurement date	6,912	-
Total	$ 9,931	$ 228

The $6,912 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2021.

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

Year ended	
2021	$ 575
2022	573
2023	571
2024	574
2025	537
Thereafter	(39)
Total	$ 2,791

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	
Political Subdivision Employees	3.50% – 5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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

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

Mortality Rates:

Non-Largest 10 Locality Employers – General Employees

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

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

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program 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, 2019, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	$ 3,989
Plan Fiduciary Net Position	1,962
Political Subdivision net VLDP OPEB Liability (Asset)	$ 2,027
Plan Fiduciary Net Position as a % of the Total Political Subdivision VLDP OPEB Liability	49.19%

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

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Onvestment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.63%

**The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.*

Discount Rate

The discount rate used to measure the total Political Subdivision Employee 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 ending June 30, 2019, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee 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 Political Subdivision Employee VLDP OPEB liability.

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

Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the political subdivision'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:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net VLDP OPEB liability as of June 30, 2020	$ 3,798	$ 3,302	$ 2,869

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

8) Long-Term Liability

In November 2019, the Commission entered into a financing lease agreement with SunTrust Equipment Finance & Leasing Corporation for $1,031,919 with an interest rate of 2.52%, to be used to finance facility and energy improvements. The net book value of capital assets purchased under this lease at June 30, 2020 is $814,312. The term of this lease will be from November 25, 2019 through November 25, 2034. Future minimum payments for this lease with SunTrust Equipment Finance & Leasing Corporation are as follows:

	Principal	Interest
2021	57,446	26,046
2022	58,896	24,596
2023	60,382	23,109
2024	61,907	21,585
2025	63,469	20,023
2026-2030	342,199	75,259
2031-2035	387,620	29,838
Total	$ 1,031,919	$ 220,456

The Commission entered into a 15-year renewable contract with ABM Building Services, LLC, in August 2019, to provide services related to the energy equipment installation. Beginning in 2021, the Commission will pay an annual fee of $1,889 to ABM for services rendered and data analysis related to an energy savings guarantee. The annual fee will be billed in advance and has a 3% escalation rate annually through the year 2036.

9) COVID-19

During fiscal year 2020, the novel coronavirus disease (COVID-19) impacted the operational and financial activities of the Commission. COVID-19 resulted in losses of revenue among the member jurisdictions, and the Commission determined that its projected surplus for the fiscal year should be returned to member jurisdictions based on their average daily usage. The total amount of refunds distributed was $518,000, which is reflected as a reduction to fees from member jurisdictions in the statements of revenues, expenses and changes in net position.

In addition, the Commission provided its staff with a one-time compensation adjustment in a total of $115,000 to recognize the work done in fiscal year 2020. This compensation adjustment is recognized in salaries and wages on the statements of revenues, expenses and changes in net position. The Commission also incurred $8,552 of operational expenses in response to the COVID-19 pandemic as of June 30, 2020, related to the purchase of protective, sanitary, and disinfecting supplies, required to adhere to local and state safety protocols.

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

* * * * *

Required Supplementary Information

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

Fiscal year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2020	$ 138,783	$ 139,009	$ 226	$ 2,384,592	5.83%
2019	66,241	66,196	(45)	1,138,160	5.82%

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

See accompanying notes and independent auditor's report.

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

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

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

See accompanying notes to required supplementary information.

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

		2020
Total OPEB - HIC liability		
Service cost	$	-
Interest cost		-
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions		-
Benefit payments, including refunds of employee contributions		-
Net change in total OPEB - HIC liability		-
Total OPEB - HIC liability, beginning		-
Total OPEB - HIC liability, ending (a)	$	-
Plan fiduciary net position - HIC		
Contributions - employer		1,366
Contributions - employee		-
Net investment income		33
Benefit payments, including refunds of employee contributions		-
Administrative expense		(2)
Other		10,757
Net change in plan fiduciary net position - HIC		12,154
Plan fiduciary net position - HIC, beginning		-
Plan fiduciary net position - HIC, ending (b)		12,154
Net OPEB - HIC liability (asset) (a) - (b)	$	(12,154)
Plan fiduciary net position - HIC as a percentage of the total OPEB - HIC liability (1)		-
Covered payroll (1)	$	1,138,160
Net OPEB - HIC liability as a percentage of the total covered payroll (1)		(1.07)%

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

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

See accompanying notes and independent auditor's report.

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

		2020
Employer's proportion of the net GLI OPEB liability		0.00580%
Employer's proportionate share of the net GLI OPEB liability	$	94,382
Employer's covered payroll	$	1,138,160
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll		8.29%
Plan fiduciary net position as a % of total GLI OPEB liability		52.00%

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

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

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

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

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

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

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

OPEB - Retiree Healthcare (2)

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

OPEB - Group Life Insurance (3)

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

OPEB - Health Insurance Credit (3)

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

OPEB - Virginia Local Disability Program (3)

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

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

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

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

See accompanying notes to required supplementary information.

1) Retiree Healthcare OPEB - Trust Arrangement and Funding Policy

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

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

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

3) Retiree Healthcare, Group Life Insurance, Health Insurance Credit, and Virginia Local Disability Program OPEB - Changes of Assumptions

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 Employers – General Employees

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

All Others (Non-10 Largest) – General Employees

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

Compliance Section

BROWN EDWARDS
certified public accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Middle Peninsula Juvenile Detention Commission as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 19, 2020

Middle Peninsula Juvenile Detention Commission

SUMMARY OF COMPLIANCE MATTERS
June 30, 2020

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

STATE COMPLIANCE MATTERS

Code of Virginia

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Procurement Laws

Uniform Disposition of Unclaimed Property Act