Middle Peninsula Juvenile Detention Commission

Basic Financial Statements
(With Report of Independent Auditor)

June 30, 2023

Middle Peninsula Juvenile Detention Commission

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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Middle Peninsula Juvenile Detention Commission (the "Commission"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2023, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 11 to the financial statements, the Commission implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of that Statement resulted in a restatement of beginning net position of $4,460. See Note 11 for further information. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
October 25, 2023

This section of the Middle Peninsula Juvenile Detention Commission's (the Commission) annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year ended June 30, 2023.

Financial Highlights

The Commission had an increase in net position of $116,670 for fiscal year 2023. This increase is primarily a result of an increase in operating revenues. In addition, the Commission restated its beginning net position by $4,460 to reflect adjustments related to the adoption of a new accounting standard on subscription-based information technology arrangements. Additional information on this restatement can be found in Note 11 to the basic financial statements. Prior year information, to the extent presented here, is provided for comparative purposes only.

Overview of the Financial Statements

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

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

Financial Analysis

Summary of Statement of Net Position

	6/30/2023	6/30/2022 (as restated)
Current and other assets	$ 2,971,990	$ 3,072,402
Restricted assets	1,033	101,686
Capital assets, net of accumulated depreciation	3,521,382	3,643,762
Total assets	6,494,405	6,817,850
Deferred outflows of resources	354,679	344,354
Total assets and deferred outflows	$ 6,849,084	$ 7,162,204
Current liabilities	$ 351,919	$ 702,091
Noncurrent liabilities	1,310,591	1,063,967
Total liabilities	1,662,510	1,766,058
Deferred inflows of resources	157,986	484,228
Net investment in capital assets	2,580,938	2,728,185
Restricted	1,033	101,686
Unrestricted	2,446,617	2,082,047
Total net position	5,028,588	4,911,918
Total liabilities, deferred inflows, and net position	$ 6,849,084	$ 7,162,204

Total assets decreased by ($323,445) for the year ending June 30, 2023. This decrease was primarily the result of depreciation on capital assets and a decrease in the Commission's restricted assets related to pensions.

Total liabilities decreased by ($103,548) in fiscal year 2023. This decrease was primarily due to a decrease in unearned revenue related to advanced payments received in fiscal year 2022 that were recognized as revenue in fiscal year 2023 for the community placement program.

For fiscal year 2023, deferred outflows of resources increased by $10,325, and deferred inflows of resources decreased by ($326,242). 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 flows of resources are reported on the Commission's Statement of Net Position for fiscal year 2023.

At June 30, 2023, net position for the Commission was $5,028,588.

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

	6/30/2023	6/30/2022
Fees from member jurisdictions	$ 1,652,398	$ 1,473,804
Other operating revenues	3,085,583	2,975,301
Total operating revenues	4,737,981	4,449,105
Salaries, wages and benefits	3,807,259	3,598,564
Other expenses	892,383	816,638
Total operating expenses	4,699,642	4,415,202
Operating income	38,339	33,903
Net nonoperating revenues (expenses)	78,331	(16,638)
Change in net position	116,670	17,265
Net position, beginning of year, as restated	4,911,918	4,890,193
Restatement of net position	-	4,460
Net position, end of year	$ 5,028,588	$ 4,911,918

One of the primary sources of revenue for the Commission is the fees from the member jurisdictions for which they serve. For fiscal year 2023, fees from member jurisdiction increased by 12.1%. The fees from member jurisdictions are based on a five-year rolling average and fluctuate year-to-year based on anticipated expenses and expected income from other sources when the budget is adopted.

Other operating revenues consist primarily of funds from the state and federal governments as well as fees from nonmember jurisdictions. In fiscal year 2023, this amount increased by $110,282 from 2022, primarily as a result of an increase in fees from nonmember jurisdictions.

Salaries, wages, and benefits accounted for 81.0% of the Commission's total operating expenses in fiscal year 2023. Personnel costs increased by $208,695 in 2023 primarily due to an increase in salaries implemented during the fiscal year.

Other operating expenses increased by $75,745 from 2022, primarily due to an increase in depreciation and amortization expense and minor capital improvements.

For 2023, net nonoperating revenues (expenses) consisted of interest earned on investments and interest expense.

Total net position increased by $116,670 for the fiscal year ended June 30, 2023, mainly due to the reasons enumerated above.

Capital Assets

		6/30/2023		6/30/2022 (as restated)
Nondepreciable	$	118,354	$	118,354
Depreciable, net		3,343,434		3,520,948
Right-to-use subscription assets, net		45,852		4,460
Right-to-use leased assets, net		13,742		-
Capital assets, net	$	3,521,382	$	3,643,762

For fiscal year 2023, the decrease in net depreciable capital assets primarily resulted from the net effect of any additions or disposals, and the depreciation expense incurred. The Commission entered into a lease for copier equipment during fiscal year 2023, resulting in right-to-use leased assets. In addition, the Commission implemented Governmental Accounting Standards Board's Statement No. 96, *Subscription-Based Information Technology Arrangements,* in fiscal year 2023. This standard provided for the recognition of assets related to these types of arrangements, resulting in right-to-use subscription assets. Additional information can be found in Note 4 to the basic financial statements.

Requests for Financial Information

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

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Middle Peninsula Juvenile Detention Commission
Statement of Net Position
June 30, 2023

Assets and Deferred Outflows of Resources

Current assets	
Cash, cash equivalents, and short-term investments (Note 2)	$ 2,922,175
Accounts receivable (Note 3)	47,731
Due from James City County	2,084
Total current assets	2,971,990
Restricted assets	
Virginia local disability program OPEB asset, net (Note 7)	1,033
Total restricted assets	1,033
Capital assets (Note 4)	
Nondepreciable	118,354
Depreciable, net	3,343,434
Right-to-use subscription assets, net	45,852
Right-to-use leased assets, net	13,742
Capital assets, net	3,521,382
Total assets	6,494,405
Deferred outflows of resources	
Deferred pension outflows (Note 6)	220,000
Deferred retiree healthcare OPEB plan (Note 7)	8,899
Deferred group life insurance OPEB plan (Note 7)	105,905
Deferred health insurance credit OPEB plan (Note 7)	8,219
Deferred Virginia local disability program OPEB plan (Note 7)	11,656
Total deferred outflows of resources	354,679
Total assets and deferred outflows of resources	$ 6,849,084

Liabilities, Deferred Inflows of Resources, and Net Position

Liabilities	
Accounts payable	$ 65,980
Interest payable	12,833
Lease and subscription interest payable	1,037
Accrued payroll	29,971
Long-term liabilities (Notes 6, 7 and 8):	
Due within one year	242,098
Due in more than one year	1,310,591
Total liabilities	1,662,510
Deferred inflow of resources	
Deferred pension inflows (Note 6)	79,584
Deferred retiree healthcare OPEB plan (Note 7)	39,161
Deferred group life insurance OPEB plan (Note 7)	34,762
Deferred health insurance credit OPEB plan (Note 7)	1,340
Deferred Virginia local disability program OPEB plan (Note 7)	3,139
Total deferred inflows of resources	157,986
Net position	
Net investment in capital assets	2,580,938
Restricted for Virginia local disability program OPEB	1,033
Unrestricted	2,446,617
Total net position	5,028,588
Total liabilities, deferred inflow of resources, and net position	$ 6,849,084

See accompanying notes to financial statements.

Middle Peninsula Juvenile Detention Commission
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2023

Operating revenues	
Fees from member jurisdictions	$ 1,652,398
Commonwealth of Virginia	2,926,492
Federal government	76,119
Fees from nonmember jurisdictions	65,720
Other	17,252
Total operating revenues	4,737,981
Operating expenses	
Salaries and wages	2,867,525
Employee benefits	939,734
Depreciation and amortization	290,086
Supplies	218,155
Professional services	130,127
Utilities	112,333
Miscellaneous	34,773
Insurance	22,664
Training	6,212
Minor furniture and equipment	27,499
Capital improvements	50,534
Total operating expenses	4,699,642
Operating income	38,339
Nonoperating revenues (expenses)	
Interest income	101,939
Interest expense	(23,608)
Total nonoperating revenues, net	78,331
Change in net position	116,670
Net position, beginning of year, as restated (Note 11)	4,911,918
Net position, end of year	$ 5,028,588

See accompanying notes to financial statements.

Middle Peninsula Juvenile Detention Commission
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

Cash flows from operating activities:	
Cash received from customers	$ 4,356,528
Cash payments to suppliers for goods and services	(588,837)
Cash payments for personnel services	(3,824,999)
Net cash used in operating activities	(57,308)
Cash flows from capital and related financing activities:	
Repayment of financed purchase	(60,382)
Interest paid	(23,477)
Payment of lease liabilities	(2,643)
Payment of subscription liabilities	(23,735)
Acquisition and construction of capital assets	(56,079)
Net cash used in capital and financing activities	(166,316)
Cash flows from investment activities:	
Interest received	104,293
Decrease in cash and short-term investments	(119,331)
Cash, cash equivalents, and short-term investments, beginning of year	3,041,506
Cash, cash equivalents, and short-term investments, end of year	$ 2,922,175
Reconciliation of operating income to net cash used in operating activities	
Operating income	$ 38,339
Adjustments to reconcile operating income to cash used in operating activities:	
Depreciation	290,086
Pension expense, net of employer contributions	707
Retiree healthcare OPEB expense, net of employer contributions	(3,926)
Group life insurance OPEB expense, net of employer contributions	13,932
Health insurance credit OPEB expense, net of employer contributions	725
Virginia local disability program OPEB expense, net of employer contributions	(3,099)
Changes in operating assets and liabilities:	
Accounts receivable	(21,717)
Due from James City County	444
Accounts payable	13,460
Accrued payroll	8,780
Compensated absences	(34,859)
Unearned revenues	(360,180)
Total adjustments	(95,647)
Net cash used in operating activities	$ (57,308)

See accompanying notes to financial statements.

1) Summary of Significant Accounting Policies

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

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

Reporting Entity

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

Basis of Accounting and Presentation

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

Cash Equivalents

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

Capital Assets

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

Building	7-40 years
Improvements other than building	20-30 years
Machinery and equipment	3-12 years
Leased equipment	4 years

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

1) Summary of Significant Accounting Policies, Continued

Deferred Outflows and Inflows of Resources

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

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

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

Fees Revenues

Fees from member jurisdictions consist of charges billed on a rolling five-year utilization 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 Commonwealth of 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 Revenues

Unearned revenues consist 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, 2023, the Commission had no unearned revenue.

Estimates

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

1) Summary of Significant Accounting Policies, Continued

Leases

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

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

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

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

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

Right to use leased assets are reported with other depreciable capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

Adoption of New Accounting Statement

For fiscal year 2023, the Commission implemented Governmental Accounting Standards Board's Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This statement provides guidance on the accounting and financial reporting for SBITAs for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The objective of this statement is to improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition, which will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The implementation of this statement resulted in the Commission recognizing new assets and liabilities related to its SBITAs, as well as the amortization of the subscription assets over the subscription term and the reduction of the subscription liabilities for the portion of principal payments made.

1) Summary of Significant Accounting Policies, Continued

Subscription-Based Information Technology Arrangements (SBITAs)

The Commission has entered into certain subscription-based information technology arrangements (SBITAs). The Commission recognizes a subscription liability and an intangible right-to-use subscription asset in the Statement of Net Position.

At the commencement of a subscription, the Commission initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The right-to-use subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the subscription commencement date, plus certain initial implementation stage costs. Subsequently, the right-to-use subscription asset is amortized on a straight-line basis over the subscription term.

Key estimates and judgments related to SBITAs include how the Commission determines (1) the discount rate used to discount expected SBITA payments to present value, (2) subscription term, and (3) SBITA payments.

- The Commission uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Commission generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period in which the Commission has the right to use the underlying subscription asset. In addition, the likelihood of any extension or termination option is assessed in determining the subscription term.

The Commission monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription liabilities and right-to-use subscription assets if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported with other depreciable capital assets and subscription liabilities are reported with long-term debt on the Statement of Net Position.

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

The Commission's cash, cash equivalents, and short-term investments at June 30, 2023, consist of:

Bank deposits	$ 522,156
Petty cash	964
Amounts held for others	135
Investments	2,398,920
Total	$ 2,922,175

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

The Commission's investments at June 30, 2023, were as follows:

Investment Type	Amount	Maturity
LGIP (amortized cost)	$ 2,398,920	1 day

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

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

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

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

Credit Risk

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

As of June 30, 2023, the Commission's investment in LGIP was rated AAAm by Standard & Poor's.

Concentration of Credit Risk

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

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

Interest Rate Risk

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

Custodial Credit Risk

The Policy requires that all investment securities purchased by the Commission or held as collateral on deposits or investments shall be held by the Commission or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2023, 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, 2023, are as follows:

Federal government	$	16,121
Commonwealth		22,610
Local governments		9,000
Total	$	47,731

4) Capital Assets

The following is a summary of the capital assets activity for the year ended June 30, 2023:

	Balance 6/30/2022 (as restated)	Additions	Reductions	Balance 6/30/2023
Capital assets, non-depreciable:				
Land and land improvements	$ 118,354	$ -	$ -	$ 118,354
Capital assets, depreciable:				
Building	7,235,514	-	-	7,235,514
Machinery and equipment	455,459	56,079	-	511,538
Right-to-use leased asset - equipment	-	16,491	-	16,491
Right-to-use subscription assets	4,460	95,136	-	99,596
Vehicles	91,034	-	-	91,034
Improvements other than building	124,935	-	-	124,935
Total capital assets, depreciable	7,911,402	167,706	-	$ 8,079,108
Less accumulated depreciation for:				
Building	3,865,491	209,432	-	4,074,923
Machinery and equipment	354,977	19,775	-	374,752
Right-to-use leased asset - equipment	-	2,749	-	2,749
Right-to-use subscription assets	-	53,744	-	53,744
Vehicles	91,034	-	-	91,034
Improvements other than building	74,492	4,386	-	78,878
Total accumulated depreciation	4,385,994	290,086	-	4,676,080
Capital assets, depreciable, net	3,525,408	(122,380)	-	3,403,028
Net capital assets	$ 3,643,762	$ (122,380)	$ -	$ 3,521,382

There was a reclassification of June 30, 2022 asset and accumulated depreciation balances based on the separation of vehicles from other machinery and equipment into their own asset classification. The impact of the restatement was as follows:

	6/30/2022 Previously Reported	Reclassification	6/30/2022 As Reclassified
Capital assets being depreciated:			
Vehicles	$ -	$ 91,034	$ 91,034
Machinery and equipment	$ 546,493	$ (91,034)	$ 455,459
Accumumlated depreciation for:			
Vehicles	$ -	$ 91,034	$ 91,034
Machinery and equipment	$ 446,011	$ (91,034)	$ 354,977

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 approximately $29,000 during the year ended June 30, 2023, and are included in professional services in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The County also owed the Commission $2,084 at June 30, 2023, and this amount is included on the Statement of Net Position as due from James City County. These payroll expenses were paid by the Commission to the County prior to June 30, 2023, primarily for Commission employees' VRS benefits. The amount owed back to the Commission primarily relates to payments made on behalf of employees who were determined to be ineligible for the VRS benefits subsequent to year-end due to termination or other circumstances.

6) Defined Benefit Pension Plan

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

Plan Description

All full-time, salaried permanent employees of the Commission are automatically covered by 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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

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

Employees Covered by Benefit Terms

As of the June 30, 2021, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	1
Inactive members:	
Vested inactive members	13
Non-vested inactive members	46
Long term disability	-
Active elsewhere in VRS	37
Total inactive members	96
Active members	50
Total covered employees	147

Contributions

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

The Commission's contractually required contribution rate for the year ended June 30, 2023, was 7.41% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were $162,425 for the year ended June 30, 2023.

6) Defined Benefit Pension Plan, Continued

Net Pension Liability (Asset)

The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with generally accepted accounting principles (GAAP), less that employer's fiduciary net position. For the Commission, the net pension liability (asset) was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total pension liability for General Employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 public sector mortality tables projected generationally with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Long-Term Expected Rate of Return

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

6) Defined Benefit Pension Plan, Continued

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public equity	34.00%	5.71%	1.94%
Fixed income	15.00%	2.04%	0.31%
Credit strategies	14.00%	4.78%	0.67%
Real assets	14.00%	4.47%	0.63%
Private equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP- Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		**Expected arithmetic nominal return	7.83%

** The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.*

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

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022 was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

6) Defined Benefit Pension Plan, Continued

Changes in Net Pension Liability (Asset)

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net pension (b)	Net pension liability (asset) (a) - (b)
Balances at June 30, 2021	$ 3,714,007	$ 3,813,383	$ (99,376)
Changes for the year:			
Service cost	229,453	-	229,453
Interest	265,960	-	265,960
Difference between expected and actual experience	59,880	-	59,880
Contributions - employer	-	113,199	(113,199)
Contributions - employee	-	105,944	(105,944)
Net investment income	-	(10,687)	10,687
Benefit payments, including refunds of employee contributions	(6,614)	(6,614)	-
Administrative expenses	-	(2,261)	2,261
Other changes	-	94	(94)
Net changes	548,679	199,675	349,004
Balances at June 30, 2022	$ 4,262,686	$ 4,013,058	$ 249,628

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 1,044,236	$ 249,628	$ (369,464)

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

For the year ended June 30, 2023, the Commission recognized pension expense of $163,132. At June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 35,136	$ 2,084
Changes of assumptions	22,439	-
Net difference between projected and actual earnings on plan investments	-	77,500
Employer contributions subsequent to the measurement date	162,425	-
Total	$ 220,000	$ 79,584

6) Defined Benefit Pension Plan, Continued

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

The $162,425 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Reduction to Pension Expense
2024	$ 20,642
2025	(31,326)
2026	(66,363)
2027	55,038
2028	-
Thereafter	-
	$ (22,009)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS's 2022 Annual Comprehensive Annual Report, which can be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

7) Other Postemployment Benefits (OPEB) Liability

Multiple Employer Cost-Sharing Plan – Retiree Healthcare

The Commission provides other postemployment health-care benefits for qualifying retired employees who are not yet eligible for Medicare through a cost-sharing, multiple-employer defined benefit plan administered by the 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. This plan does not issue standalone financial statements.

Plan Description

Participants must be eligible to retire under VRS and must be full-time active employees who retire directly from the Commission and are at least 55 years of age with 15 years of service. Each year, retirees participating in the Commission's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. For fiscal year 2023, the pre-Medicare retirees have a choice of two plans offered by Optima. As of the April 1, 2021 actuarial valuation, there were 38 active employees and no retirees enrolled in these plans. Dental plans are available at the retiree's cost and therefore, there is no employer obligation. There is no coverage for post-Medicare retirees.

Funding Policy

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

7) Other Postemployment Benefits (OPEB) Liability, Continued

Actuarial Methods and Assumptions

For the actuarial valuation at April 1, 2021 (measurement date of June 30, 2022), 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 3.69% for June 30, 2022 for the unfunded liability. Benefits are discounted based on an index rate for 20-year tax exempt general obligation (GO) municipal bonds with an average rating of AA/Aa or higher.

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

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

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

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

Mortality decrements used in the April 1, 2021, valuation:

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

7) Other Postemployment Benefits (OPEB) Liability, Continued

Changes in Assumptions Since Prior Valuation

- Discount rate was updated to 3.69% (the latest 20-year municipal GO AA Index as of June 30, 2022).

Retiree Healthcare OPEB Liability

At June 30, 2023, the Commission reported a retiree healthcare total OPEB liability of $62,712 for its proportionate share of the County's retiree healthcare total OPEB liability. The County's June 30, 2023, retiree healthcare total OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation performed April 1, 2021. The Commission's proportion of the County's retiree healthcare total 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, 2023, the Commission's proportion of the County's retiree healthcare total OPEB liability was 1.57%.

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

The following presents the retiree healthcare total OPEB liability using the discount rate of 3.69% as well as what the retiree healthcare total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69%), or one percentage point higher (4.69%), than the current rate:

	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
Retiree Healthcare Total OPEB Liability	$ 68,686	$ 62,712	$ 57,260

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

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

	1% Decrease (2.94%)	Medical Trend Rate (3.94%)	1% Increase (4.94%)
Retiree Healthcare Total OPEB Liability	$ 55,544	$ 62,712	$ 71,111

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

For the year ended June 30, 2023, the Commission recognized retiree healthcare OPEB expense (recovery) of ($4,480). Given that there was a change in the proportionate share between measurement dates, a portion of the retiree healthcare OPEB expense was related to deferred amounts from changes in proportion. At June 30, 2023 deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB from the following sources were reported:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 3,232	$ 23,200
Changes of assumptions	2,777	11,925
Change in proportion	2,890	4,036
Total	$ 8,899	$ 39,161

7) Other Postemployment Benefits (OPEB) Liability, Continued

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB as of June 30, 2023, will be recognized in retiree healthcare OPEB expense as follows:

Year Ended		
2024	$	(10,045)
2025		(9,116)
2026		(8,613)
2027		(2,488)
2028		-
Thereafter		-
	$	(30,262)

Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

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

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

Virginia Local Disability Program

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP).

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

7) Other Postemployment Benefits (OPEB) Liability, Continued

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than teachers. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death. The General Employee HIC is considered a multi-employer agent plan.

As of the June 30, 2021, actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	Number
Inactive members or their beneficiaries currently receiving benefits	-
Inactive members:	
Vested inactive members	1
Non-vested inactive members	-
Active elsewhere in VRS	-
Total inactive members	1
Active members	50
Total covered employees	51

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2023 Contribution	$13,035

Virginia Local Disability Program

Governed by:	*Code of Virginia* 51.1-1178(C) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	0.85% of covered employee compensation.
June 30, 2023 Contribution	$8,943

7) Other Postemployment Benefits (OPEB) Liability, Continued

General Employee Health Insurance Credit Program

Governed by:	*Code of Virginia* 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	0.18% of covered employee compensation.
June 30, 2023 Contribution	$4,378

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

The net OPEB liabilities were measured as of June 30, 2022, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The Commission's proportion of the net OPEB liabilities (assets) were based on the Commission's actuarially determined employer contributions for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2023 proportionate share of liability	$127,393
June 30, 2022 proportion	0.01058%
June 30, 2023 expense	$30,383

Virginia Local Disability Program

June 30, 2023 proportionate share of (asset)	($1,033)
June 30, 2022 proportion	0.17570%
June 30, 2023 expense	$5,871

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

7) Other Postemployment Benefits (OPEB) Liability, Continued

General Employee Health Insurance Credit Program

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

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a) - (b)
Balances at June 30, 2021	$ 34,932	$ 25,105	$ 9,827
Changes for the year:			
Service cost	3,874	-	3,874
Interest	2,619	-	2,619
Changes in assumption	1,866	-	1,866
Difference between expected and actual experience	(1,120)	-	(1,120)
Contributions - employer	-	3,881	(3,881)
Net investment income	-	(58)	58
Administrative expense	-	(49)	49
Net changes	7,239	3,774	3,465
Balances at June 30, 2022	$ 42,171	$ 28,879	$ 13,292

In addition, for the year ended June 30, 2023, the Commission recognized OPEB expense of $5,103 related to the General Employee Health Insurance Credit Program.

At June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Group Life Insurance Program

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 10,088	$ 5,111
Net difference between projected and actual investment earnings on OPEB Plan investments	-	7,960
Changes of assumptions	4,752	12,409
Changes in proportionate share	78,030	9,282
Employer contributions subsequent to the measurement date	13,035	-
Total	$ 105,905	$ 34,762

Virginia Local Disability Program

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 1,452	$ 2,210
Net difference between projected and actual investment earnings on OPEB Plan investments	-	5
Changes of assumptions	40	371
Changes in proportionate share	1,221	553
Employer contributions subsequent to the measurement date	8,943	-
Total	$ 11,656	$ 3,139

7) Other Postemployment Benefits (OPEB) Liability, Continued

General Employee Health Insurance Credit Program

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 2,244	$ 959
Net difference between projected and actual investment earnings on OPEB Plan investments	-	318
Change of assumptions	1,597	63
Employer contributions subsequent to the measurement date	4,378	-
Total	$ 8,219	$ 1,340

The deferred outflows of resources related to OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

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

Group Life Insurance Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2024	$ 24,082
2025	24,143
2026	10,066
2027	2,089
2028	(2,272)
Thereafter	-
Total	$ 58,108

Virginia Local Disability Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2024	$ 146
2025	108
2026	(516)
2027	84
2028	(30)
Thereafter	(218)
Total	$ (426)

7) Other Postemployment Benefits (OPEB) Liability, Continued

General Employee Health Insurance Credit Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2024	$ 386
2025	306
2026	175
2027	899
2028	521
Thereafter	214
Total	$ 2,501

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

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

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

Net OPEB Liabilities (Assets)

The net OPEB liabilities (assets) represent each program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Virginia Local Disability Program
Total OPEB Liability	$ 3,672,085	$ 7,360
Plan Fiduciary Net Position	2,467,989	7,948
Employers' Net OPEB Liability (Asset)	$ 1,204,096	$ (588)
Plan Fiduciary Net Position as a % of the Total OPEB Liability	67.21%	107.99%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability (asset) is disclosed in accordance with the requirements of GAAP in the VRS notes to the financial statements and required supplementary information.

7) Other Postemployment Benefits (OPEB) Liability, Continued

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Onvestment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	** Expected arithmetic nominal return		7.83%

** The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.*

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

Discount Rate

The discount rate used to measure the GLI, VLDP, and HIC OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2022 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

7) Other Postemployment Benefits (OPEB) Liability, Continued

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

The following presents the net OPEB liabilities (assets) of the Commission, as well as what the Commission's net OPEB liabilities (assets) would be as of June 30 2023, if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%), than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Commission's proportionate share of the Group Life Insurance Plan Net OPEB Liability	$ 185,372	$ 127,393	$ 80,539
Commission's proportionate share of the Virginia Local Disability Program Net OPEB Liability (Asset)	$ 109	$ (1,033)	$ (3,240)
General Employee Health Insurance Credit Net OPEB Liability	$ 19,212	$ 13,292	$ 8,364

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS's 2022 Annual Comprehensive Financial Report, which can be downloaded from the VRS website at https://www.varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

8) Long-Term Liabilities

In November 2019, the Commission entered into a financed purchase agreement with SunTrust Equipment Finance & Leasing Corporation (now Truist Equipment Finance Corp.) for $1,031,919 with an interest rate of 2.52%, to be used to finance facility and energy improvements. The net book value of capital assets purchased under this financed purchase at June 30, 2023, is $894,330, and the Commission had interest payable of $12,833 related to this agreement at June 30, 2023. The term of this financed purchase will be from November 25, 2019, through November 25, 2034. Future minimum payments for this agreement with Truist Equipment Finance Corp. are as follows:

	Principal	Interest
2024	$ 61,907	$ 21,585
2025	63,469	20,023
2026	65,071	18,421
2027	66,713	16,778
2028	68,397	15,094
2029-2033	368,771	48,690
2034-2035	160,867	6,115
Total	$ 855,195	$ 146,706

The Commission entered into a 15-year renewable contract with ABM Building Services, LLC, in August 2019, to provide services related to the energy equipment installation. Beginning twelve months after the completion of the installation, the Commission will pay an annual fee of $1,889 to ABM for services rendered and data analysis related to an energy savings guarantee. The annual fee will be billed in advance and has a 3% escalation rate annually through the year 2036. The amount paid for this fee in fiscal year 2023 was $1,946.

8) Long-Term Liabilities, Continued

The Commission's long-term liability activity for the fiscal year ended June 30, 2023 is as follows:

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023	Due within one year
Financed purchase agreement	$ 915,577	$ -	$ 60,382	$ 855,195	$ 61,907
Net pension liability (asset)*	(99,376)	349,004	-	249,628	-
Net group life insurance OPEB liability	129,816	-	2,423	127,393	-
Retiree healthcare OPEB plan liability	69,129	-	6,417	62,712	-
Net health insurance credit OPEB liability	9,827	3,465	-	13,292	-
Lease liability	-	16,491	2,643	13,848	4,003
Subscriptions liability	-	95,136	23,735	71,401	16,968
Compensated absences	194,079	159,220	194,079	159,220	159,220
Total	$ 1,219,052	$ 623,316	$ 289,679	$ 1,552,689	$ 242,098

*At June 30, 2023, the Commission recognized a net pension liability based on activity for this postemployment benefit during the fiscal year. In the prior fiscal year, the Commission had recognized a net pension asset. Activity in this postemployment benefit can vary year-to-year depending on membership in the plan, market conditions, changes in assumptions, and other variables. For fiscal year 2023, this liability is reported as a long-term liability on the Commission's Statement of Net Position.

9) Leases

The Commission is a lessee of two copiers. The lease for the copiers runs through October 2026, and the discount rate is 3.14% annually based on the Commission's incremental borrowing rate. As of June 30, 2023, the Commission has a lease liability for the copier equipment of $13,848. The Commission is required to make monthly principal and interest payments of $365 for the two copiers. The value of the right-to-use asset for the copiers as of June 30, 2023, is $16,491 and had accumulated amortization of $2,749.

The future principal and interest lease payments as of June 30, 2023, for the Commission's agreements as a lessee were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 4,003	$ 378	$ 4,381
2025	4,131	250	4,381
2026	4,263	118	4,381
2027	1,451	9	1,460
Total	$ 13,848	$ 755	$ 14,603

10) Subscription-Based Information Technology Arrangements (SBITAs)

The Commission implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* in fiscal year 2023. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. Information on the Commission's SBITAs is provided below.

In July 2022, the Commission entered into a 19-month subscription for the use of Advanced Endpoint Protection software. An initial subscription liability was recorded in the amount of $1,243. As of June 30, 2023, there is no balance remaining on the subscription liability. The Commission is required to make annual fixed payments of $1,260, and the subscription has an interest rate of 1.89% annually. The value of the right-to-use asset as of June 30, 2023 is $1,243, and had accumulated amortization of $753.

10) Subscription-Based Information Technology Arrangements (SBITAs), Continued

In January 2023, the Commission entered into a 12-month subscription for the use of Case Management System software. An initial subscription liability was recorded in the amount of $87,028. As of June 30, 2023, the value of the subscription liability is $70,138. The Commission is required to make annual fixed payments of $16,890, and the subscription has an interest rate of 2.84% annually. The value of the right-to-use asset as of June 30, 2023 is $87,028, and had accumulated amortization of $43,514. The Commission has 4 extension options, each for 12 months.

In July 2022, the Commission entered into a 13-month subscription for the use of TimeTrex Workforce Management software. An initial subscription liability was recorded in the amount of $5,225. As of June 30, 2023, the value of the subscription liability is $439. The Commission is required to make monthly fixed payments of $440, and the subscription has an interest rate of 1.58% annually. The value of the right-to-use asset as of June 30, 2023 is $9,685, and had accumulated amortization of $8,567. The value of the asset includes initial implementation outlay costs of $4,460 incurred in fiscal year 2022, which resulted in a restatement of the Commission's unrestricted net position for that fiscal year.

In July 2022, the Commission entered into a 21-month subscription for the use of health assessment software. An initial subscription liability was recorded in the amount of $1,640. As of June 30, 2023, the value of the subscription liability is $824. The Commission is required to make monthly fixed payments of $840, and the subscription has an interest rate of 1.89% annually. The value of the right-to-use asset as of June 30, 2023 is $1,640, and had accumulated amortization of $910.

The future principal and interest payments on these subscriptions as of June 30, 2023, for the Commission's agreements were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 16,968	$ 2,011	$ 18,979
2025	16,902	1,548	18,450
2026	18,133	1,067	19,200
2027	19,398	552	19,950
Total	$ 71,401	$ 5,178	$ 76,579

11) Restatement

The net position as of the beginning of fiscal year 2023 was restated to reflect an adjustment related to the Commission's implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. More information regarding the adjustment can be found in Note 10 and the related balance has been adjusted as follows:

	6/30/2022 Previously Reported	**Restatement**	**7/1/2022 As Restated**
Subscription assets, net	$ -	$ 4,460	$ 4,460
Total net position	$ (4,907,458)	$ (4,460)	$ (4,911,918)

* * * * *

Required Supplementary Information

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

	2022	2021	2020	2019
Total pension liability				
Service cost	$ 229,453	$ 217,765	$ 205,519	$ -
Interest	265,960	216,044	190,451	-
Changes of benefit terms	-	-	-	2,826,094
Differences between expected and actual experience	59,880	(9,394)	-	-
Changes in assumptions	-	101,169	-	-
Benefit payments, including refunds of employee contributions	(6,614)	(24,444)	(9,197)	-
Net change in total pension liability	548,679	501,140	386,773	2,826,094
Total pension liability, beginning	3,714,007	3,212,867	2,826,094	-
Total pension liability, ending	$ 4,262,686	$ 3,714,007	$ 3,212,867	$ 2,826,094
Plan fiduciary net position				
Contributions - employer	113,199	111,812	123,018	59,516
Contributions - employee	105,944	105,979	110,011	51,870
Net investment income	(10,687)	803,698	56,029	2,805
Benefit payments, including refunds of employee contributions	(6,614)	(24,444)	(9,197)	-
Administrative expense	(2,261)	(1,756)	497	118
Other	94	78	(11,648)	2,434,997
Net change in plan fiduciary net position	199,675	995,367	268,710	2,549,306
Plan fiduciary net position, beginning	3,813,383	2,818,016	2,549,306	-
Plan fiduciary net position, ending	$ 4,013,058	$ 3,813,383	$ 2,818,016	$ 2,549,306
Net pension liability (asset)	$ 249,628	$ (99,376)	$ 394,851	$ 276,788
Plan fiduciary net position as a percentage of the total pension liability	94.14%	102.68%	87.71%	90.21%
Covered payroll	$ 2,282,827	$ 2,302,863	$ 2,384,592	$ 1,138,160
Net pension liability (asset) as a percentage of the total covered payroll	10.94%	(4.32)%	16.56%	24.32%

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

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

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
2023	$ 162,425	$ 162,425	$ -	$ 2,431,981	6.68%
2022	113,198	113,198	-	2,282,827	4.96%
2021	111,812	111,812	-	2,302,863	4.86%
2020	123,018	123,018	-	2,384,592	5.16%
2019	66,241	66,196	(45)	1,138,160	5.82%

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

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

Measurement date as of June 30,	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Employer's proportion of the County's Retiree Healthcare OPEB liability	1.57%	1.57%	1.68%	1.68%	1.52%	1.52%
Employer's proportionate share of the County's Retiree Healthcare OPEB liability	$ 62,712	$ 69,129	$ 99,614	$ 87,783	$ 89,406	$ 84,086
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected average remaining service years of all participants	5	5	6	6	7	7

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018; additional years will be presented as the information becomes available.

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

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

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*

	2022	2021	2020	2019
Employer's proportion of the net GLI OPEB liability	0.01058%	0.01115%	0.01141%	0.00580%
Employer's proportionate share of the net GLI OPEB liability	$ 127,393	$ 129,816	$ 190,414	$ 94,382
Employer's covered payroll	$ 2,282,827	$ 2,302,863	$ 2,384,592	$ 1,138,160
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	5.58%	5.64%	7.99%	8.29%
Plan fiduciary net position as a % of total GLI OPEB liability	67.21%	67.45%	52.64%	52.00%

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

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

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

	2022	2021	2020	2019
Total OPEB - HIC liability				
Service cost	$ 3,874	$ 3,230	$ 3,066	$ -
Interest cost	2,619	1,815	1,506	-
Changes of benefit terms	-	-	-	22,308
Differences between expected and actual experience	(1,120)	3,094	-	-
Changes in assumptions	1,866	(87)	-	-
Benefit payments, including refunds of employee contributions	-	-	-	-
Net change in total OPEB - HIC liability	7,239	8,052	4,572	22,308
Total OPEB - HIC liability, beginning	34,932	26,880	22,308	-
Total OPEB - HIC liability, ending (a)	$ 42,171	$ 34,932	$ 26,880	$ 22,308
Plan fiduciary net position - HIC				
Contributions - employer	3,881	3,915	2,865	1,366
Contributions - employee	-	-	-	-
Net investment income	(58)	4,851	290	33
Benefit payments, including refunds of employee contributions	-	-	-	-
Administrative expense	(49)	(69)	(44)	(2)
Other	-	-	1,143	10,757
Net change in plan fiduciary net position - HIC	3,774	8,697	4,254	12,154
Plan fiduciary net position - HIC, beginning	25,105	16,408	12,154	-
Plan fiduciary net position - HIC, ending (b)	28,879	25,105	16,408	12,154
Net OPEB - HIC liability (asset) (a) - (b)	$ 13,292	$ 9,827	$ 10,472	$ 10,154
Plan fiduciary net position - HIC as a percentage of the total OPEB - HIC liability (1)	31.52%	28.13%	38.96%	45.52%
Covered payroll (1)	$ 2,282,827	$ 2,302,863	$ 2,384,592	$ 1,138,160
Net OPEB - HIC liability as a percentage of the total covered payroll (1)	0.58%	0.43%	0.44%	0.89%

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

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

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

	2022	2021	2020	2019
Employer's proportion of the net VLDP OPEB liability (asset)	0.17570%	0.22812%	0.25923%	0.16302%
Employer's proportionate share of the net VLDP OPEB liability (asset)	$ (1,033)	$ (2,310)	$ 2,587	$ 3,302
Employer's covered payroll	$ 819,781	$ 916,435	$ 959,970	$ 503,812
Employer's proportionate share of the net VLDP OPEB liability (asset) as a percentage of its covered payroll	-0.13%	-0.25%	0.27%	0.66%
Plan fiduciary net position as a % of total VLDP OPEB liability	107.99%	119.59%	76.84%	49.19%

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

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

See accompanying notes and independent auditor's report.

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

OPEB - Retiree Healthcare (2)

Fiscal Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (Excess)
2023	$ (4,480)	$ -	$ (4,480)
2022	796	-	796
2021	8,397	-	8,397
2020	7,942	-	7,942
2019	7,483	-	7,483
2018	9,776	-	9,776

OPEB - Group Life Insurance (3)

Fiscal Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2023	$ 13,035	$ 13,035	$ -	$ 2,431,981	0.54%
2022	12,236	12,236	-	2,282,827	0.54%
2021	12,343	12,343	-	2,302,863	0.54%
2020	12,495	12,495	-	2,384,592	0.52%
2019	5,964	5,964	-	1,138,160	0.52%

OPEB - Health Insurance Credit (3)

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2023	$ 4,378	$ 4,378	$ -	$ 2,431,981	0.18%
2022	3,881	3,881	-	2,282,827	0.17%
2021	3,915	3,915	-	2,302,863	0.17%
2020	2,865	2,865	-	2,384,592	0.12%
2019	1,366	1,366	-	1,138,160	0.12%

OPEB - Virginia Local Disability Program (3)

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2023	$ 8,943	$ 8,943	$ -	$ 1,052,079	0.85%
2022	6,804	6,804	-	819,781	0.83%
2021	7,606	7,606	-	916,435	0.83%
2020	6,912	6,912	-	959,970	0.72%
2019	3,627	3,627	-	503,812	0.72%

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

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

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

See accompanying notes to required supplementary information.

1) Retiree Healthcare OPEB - Trust Arrangement and Funding Policy

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

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

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

3) Retiree Healthcare OPEB - Changes of Assumptions

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

Measurement Date	Discount Rate
June 30, 2018	3.62%
June 30, 2019	3.13%
June 30, 2020	2.45%
June 30, 2021	1.92%
June 30, 2022	3.69%

4) Group Life Insurance OPEB - Changes of Assumptions

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest 10 Locality Employers – General Employees:

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

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest 10 Locality Employers – General Employees:

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

Statistical Section

Table 1

Middle Peninsula Juvenile Detention Commission
Net Position
Last Ten Fiscal Years*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Current assets										
Cash and short-term investments	$ 327,972	$ 940,631	$ 1,425,305	$ 1,812,119	$ 2,008,501	$ 2,020,108	$ 2,528,524	$ 3,885,644	$ 3,041,506	$ 2,922,175
Accounts receivable	389,418	127,144	112,061	242,659	58,523	63,927	11,875	37,898	28,368	47,731
Due from James City County	-	345	-	1,723	1,823	1,985	434	403	2,528	2,084
Prepaid expenses	-	-	-	-	37,800	-	-	-	-	-
Total current assets	717,390	1,068,120	1,537,366	2,056,501	2,106,647	2,086,020	2,540,833	3,923,945	3,072,402	2,971,990
Restricted assets										
Restricted cash and short-term investments	-	-	-	-	-	-	289,485	-	-	-
Pension asset	-	-	-	-	-	-	-	-	99,376	-
Health insurance credit OPEB asset	-	-	-	-	-	-	12,154	-	-	-
Virginia local disability program OPEB asset	-	-	-	-	-	-	-	-	2,310	1,033
Total restricted assets	-	-	-	-	-	-	301,639	-	101,686	1,033
Capital assets										
Nondepreciable	118,354	118,354	118,354	148,149	118,354	124,438	932,666	118,354	118,354	118,354
Depreciable, net	4,074,978	3,761,809	3,610,738	3,456,543	3,317,274	3,138,155	2,937,706	3,761,440	3,520,948	3,343,434
Subscription assets, net	-	-	-	-	-	-	-	-	-	45,852
Leased assets, net	-	-	-	-	-	-	-	-	-	13,742
Total capital assets	4,193,332	3,880,163	3,729,092	3,604,692	3,435,628	3,262,593	3,870,372	3,879,794	3,639,302	3,521,382
Total assets	4,910,722	4,948,283	5,266,458	5,661,193	5,542,275	5,348,613	6,712,844	7,803,739	6,813,390	6,494,405
Deferred outflows of resources										
Deferred pension outflows	-	-	-	-	-	66,196	139,009	262,187	175,003	220,000
Deferred retiree healthcare OPEB plan	-	-	-	-	-	3,243	10,214	16,892	12,532	8,899
Deferred group life insurance OPEB plan	-	-	-	-	-	5,964	102,109	174,239	140,434	105,905
Deferred health insurance credit OPEB plan	-	-	-	-	-	1,366	3,178	4,681	6,550	8,219
Deferred Virginia local disability program OPEB plan	-	-	-	-	-	3,627	9,931	12,038	9,835	11,656
Total deferred outflows of resources	-	-	-	-	-	80,396	264,441	470,037	344,354	354,679
Total assets and deferred outflows of resources	$ 4,910,722	$ 4,948,283	$ 5,266,458	$ 5,661,193	$ 5,542,275	$ 5,429,009	$ 6,977,285	$ 8,273,776	$ 7,157,744	$ 6,849,084
Liabilities										
Accounts payable	$ 13,563	$ 20,536	$ 19,508	$ 376,573	$ 36,907	$ 42,150	$ 102,808	$ 39,607	$ 52,520	$ 65,980
Interest payable	-	-	-	-	-	-	-	14,623	13,739	12,833
Lease and subscription interest payable	-	-	-	-	-	-	-	-	-	1,037
Accrued payroll	88,082	113,131	148,512	167,442	177,639	181,475	207,889	13,756	21,191	29,971
Unearned revenues	50,065	170,135	548,121	630,200	656,880	-	360,180	1,428,975	360,180	-
Long-term liabilities	99,737	76,904	73,000	88,000	84,086	89,406	1,217,386	1,864,027	1,318,428	1,552,689
Total liabilities	251,447	380,706	789,141	1,262,215	955,512	313,031	1,888,263	3,360,988	1,766,058	1,662,510
Deferred inflow of resources										
Deferred pension inflows	-	-	-	-	-	-	-	-	382,884	79,584
Deferred retiree healthcare OPEB plan	-	-	-	-	6,675	5,928	17,371	13,699	40,303	39,161
Deferred group life insurance OPEB plan	-	-	-	-	-	-	6,009	5,686	52,936	34,762
Deferred health insurance credit OPEB plan	-	-	-	-	-	-	-	-	2,411	1,340
Deferred Virginia local disability program OPEB plan	-	-	-	-	-	-	228	3,210	5,694	3,139
Total deferred inflows of resources	-	-	-	-	6,675	5,928	23,608	22,595	484,228	157,986
Net Position										
Net investment in capital assets	4,022,241	3,862,259	3,729,092	3,604,692	3,435,628	3,262,593	2,838,453	2,905,321	2,723,725	2,580,938
Restricted for pensions and OPEB	-	-	-	-	-	-	12,154	-	101,686	1,033
Restricted for financed purchase	-	-	-	-	-	-	289,485	-	-	-
Unrestricted	518,680	705,318	748,225	794,286	1,144,460	1,847,457	1,925,322	1,984,872	2,082,047	2,446,617
Total net position	4,540,921	4,567,577	4,477,317	4,398,978	4,580,088	5,110,050	5,065,414	4,890,193	4,907,458	5,028,588
Total liabilities, deferred inflows of resources, and net position	$ 4,792,368	$ 4,948,283	$ 5,266,458	$ 5,661,193	$ 5,542,275	$ 5,429,009	$ 6,977,285	$ 8,273,776	$ 7,157,744	$ 6,849,084

* This table was first presented in the financial statements for fiscal year 2023. As a result, prior-year financial statements will not include this table. The balances for prior years shown above were obtained from the applicable financial statements.

Table 2

Middle Peninsula Juvenile Detention Commission
Changes in Revenues, Expenses and Net Position
Last Ten Fiscal Years*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating revenues:										
Fees from member jurisdictions	$ 2,072,329	$ 2,215,714	$ 1,993,893	$ 1,739,384	$ 1,716,400	$ 1,827,313	$ 1,256,648	$ 1,452,368	$ 1,473,804	$ 1,652,398
Commonwealth of Virginia	1,310,696	1,394,256	1,926,404	2,598,396	2,815,753	2,880,667	2,854,402	2,877,851	2,885,996	2,926,492
Federal government	70,976	64,752	63,643	75,195	81,333	95,583	64,931	84,447	84,305	76,119
Fees from nonmember jurisdictions	9,132	-	8,955	768	-	505	-	1,357	-	65,720
Other	35,947	26,286	19,554	17,968	13,813	9,070	16,652	5,588	5,000	17,252
Total operating revenues	3,499,080	3,701,008	4,012,449	4,431,711	4,627,299	4,813,138	4,192,633	4,421,611	4,449,105	4,737,981
Operating expenses:										
Salaries and wages	2,068,019	2,080,325	2,284,908	2,593,241	2,574,894	2,587,330	2,671,081	2,517,542	2,681,065	2,867,525
Employee benefits	884,068	897,743	914,821	1,004,738	1,037,835	913,902	908,170	1,014,619	917,499	939,734
Depreciation and amortization	216,801	212,338	207,846	203,791	210,029	211,507	204,708	236,083	240,492	290,086
Supplies	153,572	174,983	185,329	209,297	201,789	202,668	181,211	189,457	197,589	218,155
Professional services	130,675	116,246	235,017	180,125	209,272	178,032	135,972	137,777	173,572	130,127
Utilities	114,313	108,823	105,524	109,880	116,178	97,669	87,327	88,392	95,802	112,333
Miscellaneous	62,680	41,403	44,388	42,019	41,508	34,824	22,792	41,299	56,893	34,773
Insurance	14,391	14,907	14,221	15,288	16,116	17,298	18,127	17,377	20,588	22,664
Purchase of bedspace	-	9,500	57,300	80,839	4,851	5,922	-	-	-	-
Training	3,437	4,548	8,546	12,666	7,649	10,533	11,002	2,635	4,688	6,212
Minor furniture and equipment	1,362	10,993	8,234	55,641	19,215	18,830	8,963	44,014	27,014	27,499
Capital improvements	-	-	36,627	6,138	21,728	37,800	-	3,425	-	50,534
COVID-19 pandemic costs	-	-	-	-	-	-	8,552	9,142	-	-
Total operating expenses	3,649,318	3,671,809	4,102,761	4,513,663	4,461,064	4,316,315	4,257,905	4,301,762	4,415,202	4,699,642
Operating income (loss)	(150,238)	29,199	(90,312)	(81,952)	166,235	496,823	(65,272)	119,849	33,903	38,339
Nonoperating revenues (expenses):										
Interest income	264	289	981	3,613	8,977	37,520	36,416	4,959	6,733	101,939
Interest expense	(2,628)	(1,365)	(194)	-	-	-	-	(40,668)	(23,712)	(23,608)
Gain (loss) on disposal of capital assets	3,646	(1,467)	(735)	-	(1,117)	(4,381)	(15,780)	(13,332)	341	-
Net nonoperating revenues (expenses)	1,282	(2,543)	52	3,613	7,860	33,139	20,636	(49,041)	(16,638)	78,331
Changes in net position	$ (148,956)	$ 26,656	$ (90,260)	$ (78,339)	$ 174,095	$ 529,962	$ (44,636)	$ 70,808	$ 17,265	$ 116,670

* This table was first presented in the financial statements for fiscal year 2023. As a result, prior-year financial statements will not include this table. The activity for prior years shown above was obtained from the applicable financial statements.

Compliance Section

Cherry Bekaert LLP
Your Guide Forward

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

To the Board of Directors
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 the Middle Peninsula Juvenile Detention Commission (the "Commission"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 25, 2023. Our report recognizes that the Commission implemented a new accounting standard effective July 1, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Cherry Bekaert LLP

Richmond, Virginia
October 25, 2023