

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**  
**FINANCIAL AND COMPLIANCE REPORTS**  
**YEAR ENDED JUNE 30, 2023**



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ASSURANCE, TAX & ADVISORY SERVICES

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## AUTHORITY MEMBERS

### *Chairman*

Michael G. Hamp, II, City Manager  
City of Waynesboro, Virginia

### *Vice Chairman*

Stephen King, County Administrator  
County of Rockingham, Virginia

Timothy Fitzgerald, County Administrator  
County of Augusta, Virginia

Leslie Beauregard, City Manager  
City of Staunton, Virginia

Ande Banks, City Manager  
City of Harrisonburg, Virginia

Cameron McCormick  
Assistant City Manager/Finance  
City of Waynesboro

Christopher Johnson  
Sheriff  
City of Waynesboro

Jennifer Whetzel  
Deputy County Administrator  
County of Augusta

Donald Smith  
Sheriff  
County of Augusta

Jessie Moyers  
Chief Financial Officer  
City of Staunton

Chris Hartless  
Sheriff  
City of Staunton

Larry Propst  
Director of Finance  
City of Harrisonburg

Kelly Warner  
Police Chief  
City of Harrisonburg

Patricia Davidson  
Assistant County Administrator for  
Finance and Operations  
County of Rockingham

Bryan Hutcheson  
Sheriff  
County of Rockingham

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the Board  
Middle River Regional Jail Authority

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the business-type activities, major fund, and the remaining fund information of the Middle River Regional Jail Authority (Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of business-type activities, major fund, and the remaining fund information of the Middle River Regional Jail Authority, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***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 Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 52 – 61 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.

Management has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinions on the basic financial statements are not affected by the missing information.

***Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

*P. B. Mares, CPA*

Harrisonburg, Virginia  
November 7, 2023

## **BASIC FINANCIAL STATEMENTS**

## STATEMENT OF NET POSITION

### June 30, 2023

ASSETS	Business-type Activities
Current Assets:	
Cash and cash equivalents	\$ 20,321,107
Accounts receivable	51,159
Note receivable, current portion	2,152,596
Due from other governments	1,142,956
Restricted investments	3,236,288
<b>Total current assets</b>	<b>26,904,106</b>
Noncurrent Assets:	
Note receivable, net of current portion	2,152,597
Net pension asset	7,910,335
Intangible right-to-use lease equipment, net	36,361
Intangible right-to-use subscription asset, net	240,227
Capital assets, net	33,477,390
<b>Total noncurrent assets</b>	<b>43,816,910</b>
<b>Total assets</b>	<b>70,721,016</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Plan	1,462,646
Other Postemployment Benefits	666,542
<b>Total deferred outflows of resources</b>	<b>2,129,188</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	484,123
Accrued payroll	512,044
Accrued interest payable	178,981
Note payable, current portion	2,152,596
Incurred but not reported claims	158,000
Other payables	10,143
<b>Total current liabilities</b>	<b>3,495,887</b>
Noncurrent Liabilities:	
Due within one year:	
Compensated absences	168,817
Revenue bond	1,458,430
Subscription liability	65,028
Lease liability	18,444
Due in more than one year:	
Compensated absences	506,450
Revenue bond, net	16,270,866
Note payable, net of current portion	2,152,597
Other postemployment benefits liability	1,908,921
Subscription liability	178,685
Lease liability	19,005
<b>Total noncurrent liabilities</b>	<b>22,747,243</b>
<b>Total liabilities</b>	<b>26,243,130</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Plan	3,051,692
Other Postemployment Benefits	1,434,030
<b>Total deferred inflows of resources</b>	<b>4,485,722</b>
<b>NET POSITION</b>	
Net Position:	
Net investment in capital assets	15,743,520
Restricted for:	
Pension asset	6,321,289
Debt service	3,236,288
Self-insurance	1,923,893
Unrestricted	14,896,362
<b>Total net position</b>	<b>\$ 42,121,352</b>

See Notes to Financial Statements.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**Year Ended June 30, 2023**

	Business-type Activities
Operating Revenues:	
From member jurisdictions	\$ 14,452,771
Local bed rentals	43,489
Other income	229,163
Recovered costs	428,305
Fees and charges for services	2,578,979
State compensation board	8,962,142
Per diem reimbursement	1,364,348
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<b>Total operating revenues</b>	<b>28,059,197</b>
	<hr/>
Operating Expenses:	
Salaries and wages	10,335,917
Fringe benefits	2,368,181
Claims paid	1,595,856
Contractual services	3,238,810
Administrative charges	99,648
Stop loss fees	433,990
Other charges	1,035,193
Materials and supplies	1,665,194
Depreciation and amortization	1,419,303
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<b>Total operating expenses</b>	<b>22,192,092</b>
	<hr/>
<b>Net operating income</b>	<b>5,867,105</b>
	<hr/>
Nonoperating Revenues (Expenses):	
GLI OPEB Nonemployer Contributions from the Commonwealth	10,413
Other state grants	211,826
Federal grants	169,000
Interest income	821,835
Interest expense and other charges	(545,675)
Loss on disposals	(14,786)
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<b>Nonoperating expenses, net</b>	<b>652,613</b>
	<hr/>
<b>Change in net position</b>	<b>6,519,718</b>
	<hr/>
Net Position, beginning of year	35,601,634
	<hr/>
Net Position, end of year	\$ 42,121,352
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See Notes to Financial Statements.

**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**June 30, 2023**

ASSETS	Enterprise Fund	Internal Service Fund	Total
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 18,239,214	\$ 2,081,893	\$ 20,321,107
Accounts receivable	51,159	-	51,159
Note receivable, current portion	2,152,596	-	2,152,596
Due from other governments	1,142,956	-	1,142,956
Restricted investments	3,236,288	-	3,236,288
<b>Total current assets</b>	<b>24,822,213</b>	<b>2,081,893</b>	<b>26,904,106</b>
<b>Noncurrent Assets:</b>			
Note receivable, net of current portion	2,152,597	-	2,152,597
Net pension asset	7,910,335	-	7,910,335
Intangible right-to-use lease equipment, net	36,361	-	36,361
Intangible right-to-use subscription asset, net	240,227	-	240,227
Capital assets, net	33,477,390	-	33,477,390
<b>Total noncurrent assets</b>	<b>43,816,910</b>	<b>-</b>	<b>43,816,910</b>
<b>Total assets</b>	<b>68,639,123</b>	<b>2,081,893</b>	<b>70,721,016</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Plan	1,462,646	-	1,462,646
Other Postemployment Benefits	666,542	-	666,542
<b>Total deferred outflows of resources</b>	<b>2,129,188</b>	<b>-</b>	<b>2,129,188</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	484,123	-	484,123
Accrued payroll	512,044	-	512,044
Accrued interest payable	178,981	-	178,981
Note payable, current portion	2,152,596	-	2,152,596
Incurred but not reported claims	-	158,000	158,000
Other payables	10,143	-	10,143
<b>Total current liabilities</b>	<b>3,337,887</b>	<b>158,000</b>	<b>3,495,887</b>
<b>Noncurrent Liabilities:</b>			
<b>Due within one year:</b>			
Compensated absences	168,817	-	168,817
Revenue bond	1,458,430	-	1,458,430
Subscription liability	65,028	-	65,028
Lease liability	18,444	-	18,444
<b>Due in more than one year:</b>			
Compensated absences	506,450	-	506,450
Revenue bond, net	16,270,866	-	16,270,866
Note payable, net of current portion	2,152,597	-	2,152,597
Other postemployment benefits liability	1,908,921	-	1,908,921
Subscription liability	178,685	-	178,685
Lease liability	19,005	-	19,005
<b>Total noncurrent liabilities</b>	<b>22,747,243</b>	<b>-</b>	<b>22,747,243</b>
<b>Total liabilities</b>	<b>26,085,130</b>	<b>158,000</b>	<b>26,243,130</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Plan	3,051,692	-	3,051,692
Other Postemployment Benefits	1,434,030	-	1,434,030
<b>Total deferred inflows of resources</b>	<b>4,485,722</b>	<b>-</b>	<b>4,485,722</b>
<b>NET POSITION</b>			
<b>Net Position:</b>			
Net investment in capital assets	15,743,520	-	15,743,520
<b>Restricted for:</b>			
Pension asset	6,321,289	-	6,321,289
Debt service	3,236,288	-	3,236,288
Self-insurance	-	1,923,893	1,923,893
Unrestricted	14,896,362	-	14,896,362
<b>Total net position</b>	<b>\$ 40,197,459</b>	<b>\$ 1,923,893</b>	<b>\$ 42,121,352</b>

See Notes to Financial Statements.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION –  
PROPRIETARY FUNDS  
Year Ended June 30, 2023**

	Enterprise Fund	Internal Service Fund	Total
<b>Operating Revenues:</b>			
From member jurisdictions	\$ 14,452,771	\$ -	\$ 14,452,771
Local bed rentals	43,489	-	43,489
Other income	35,072	194,091	229,163
Recovered costs	428,305	-	428,305
Fees and charges for services	939,309	1,639,670	2,578,979
State compensation board	8,962,142	-	8,962,142
Per diem reimbursement	1,364,348	-	1,364,348
<b>Total operating revenues</b>	<b>26,225,436</b>	<b>1,833,761</b>	<b>28,059,197</b>
<b>Operating Expenses:</b>			
Salaries and wages	10,335,917	-	10,335,917
Fringe benefits	2,368,181	-	2,368,181
Claims paid	-	1,595,856	1,595,856
Contractual services	3,238,810	-	3,238,810
Administrative charges	-	99,648	99,648
Stop loss fees	-	433,990	433,990
Other charges	1,034,409	784	1,035,193
Materials and supplies	1,665,194	-	1,665,194
Depreciation and amortization	1,419,303	-	1,419,303
<b>Total operating expenses</b>	<b>20,061,814</b>	<b>2,130,278</b>	<b>22,192,092</b>
<b>Net operating income (loss)</b>	<b>6,163,622</b>	<b>(296,517)</b>	<b>5,867,105</b>
<b>Nonoperating Revenues (Expenses):</b>			
GLI OPEB Nonemployer Contributions from the Commonwealth	10,413	-	10,413
Other state grants	211,826	-	211,826
Federal grants	169,000	-	169,000
Interest income	821,835	-	821,835
Interest expense and other charges	(545,675)	-	(545,675)
Loss on disposals	(14,786)	-	(14,786)
<b>Nonoperating revenues (expenses), net</b>	<b>652,613</b>	<b>-</b>	<b>652,613</b>
<b>Change in net position</b>	<b>6,816,235</b>	<b>(296,517)</b>	<b>6,519,718</b>
Net Position, beginning of year	33,381,224	2,220,410	35,601,634
Net Position, end of year	<b>\$ 40,197,459</b>	<b>\$ 1,923,893</b>	<b>\$ 42,121,352</b>

## STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

### Year Ended June 30, 2023

	Enterprise Fund	Internal Service Fund	Total
<b>Operating Activities:</b>			
Receipts from customers and users	\$ 26,159,180	\$ 1,833,761	\$ 27,992,941
Payments to suppliers	(5,806,112)	(17,753)	(5,823,865)
Payments to employees	(13,282,139)	-	(13,282,139)
Claims paid	-	(1,595,856)	(1,595,856)
Administrative and stop loss fees	-	(534,422)	(534,422)
<b>Net cash provided by (used in) operating activities</b>	<b>7,070,929</b>	<b>(314,270)</b>	<b>6,756,659</b>
<b>Noncapital financing activities:</b>			
GLI OPEB Nonemployer Contributions from the Commonwealth	10,413	-	10,413
Other state grants	211,826	-	211,826
<b>Net cash provided by noncapital financing activities</b>	<b>222,239</b>	<b>-</b>	<b>222,239</b>
<b>Capital and Related Financing Activities:</b>			
Acquisitions of property and equipment	(1,602,211)	-	(1,602,211)
Bond principal payment	(1,200,000)	-	(1,200,000)
Lease principal payment	(17,900)	-	(17,900)
Subscription principal payment	(63,134)	-	(63,134)
Federal grants	169,000	-	169,000
Interest payments	(769,228)	-	(769,228)
<b>Net cash provided by capital and related financing activities</b>	<b>(3,483,473)</b>	<b>-</b>	<b>(3,483,473)</b>
<b>Investing Activities:</b>			
Purchase of investments	(86,485)	-	(86,485)
Interest received	821,835	-	821,835
<b>Net cash used in by investing activities</b>	<b>735,350</b>	<b>-</b>	<b>735,350</b>
<b>Change in cash and cash equivalents</b>	<b>4,545,045</b>	<b>(314,270)</b>	<b>4,230,775</b>
Cash and Cash Equivalents, beginning of year	13,694,169	2,396,163	16,090,332
Cash and Cash Equivalents, end of year	<b>\$ 18,239,214</b>	<b>\$ 2,081,893</b>	<b>\$ 20,321,107</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By</b>			
<b>(Used in) Operating Activities:</b>			
Operating income (loss)	\$ 6,163,622	\$ (296,517)	\$ 5,867,105
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,419,303	-	1,419,303
Pension expense	(1,596,254)	-	(1,596,254)
Other postemployment benefits expense	(10,540)	-	(10,540)
Changes in operating assets, deferred outflows of resources and liabilities:			
Decrease (increase) in:			
Accounts receivable and due from other governments	(66,258)	-	(66,258)
Deferred outflows of resources:			
Pension plan	357,309	-	357,309
Other postemployment benefits	127,645	-	127,645
Increase (decrease) in:			
Accounts payable	132,301	(18,753)	113,548
Accrued payroll	453,800	-	453,800
Claim incurred but not reported	-	1,000	1,000
Other payables	10,143	-	10,143
Compensated absences	79,858	-	79,858
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 7,070,929</b>	<b>\$ (314,270)</b>	<b>\$ 6,756,659</b>
<b>Schedule of Noncash Capital and Related Financing Activities:</b>			
Issuance of subscription liability and right-to-use subscription asset	\$ 306,847	\$ -	\$ 306,847

**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**June 30, 2023**

	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,246,564
<b>NET POSITION</b>	
Restricted for:	
Canteen purchases	\$ 1,199,258
Inmate benefits	(198,688)
Inmates	245,994
<b>Total net position</b>	<u>\$ 1,246,564</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**Year Ended June 30, 2023**

	Custodial Funds
<b>ADDITIONS</b>	
Contributions:	
Inmate	\$ 1,133,801
Commissary	774,042
Telephone commission	287,574
Work release	192,029
Keep fees	247,501
<b>Total contributions</b>	<b>2,634,947</b>
Investment Earnings:	
Interest	4,732
<b>Total investment earnings</b>	<b>4,732</b>
<b>Total additions</b>	<b>2,639,679</b>
<b>DEDUCTIONS</b>	
Medical and Prescription Co-pays	72,576
Inmate Withdrawals and Allowances	163,340
Canteen Supplies	1,215,318
Inmate Adult Education	245,801
Inmate Library Costs	14,442
Cable/TV Service	14,321
Inmate Supplies/Capital Items	12,067
Miscellaneous	144,494
Telephone Commissions	287,574
Work Release	192,029
Keep Fees	247,501
<b>Total deductions</b>	<b>2,609,463</b>
<b>Net increase in fiduciary net position</b>	<b>30,216</b>
Net Position, beginning	1,216,348
Net Position, ending	<b>\$ 1,246,564</b>

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Organization and Purpose

The Cities of Staunton and Waynesboro and the County of Augusta entered into an agreement dated June 25, 2001, to operate a regional jail facility created pursuant to the provisions of Section 52.1-91, *Code of Virginia* (1950), as amended, to construct, own and provide an adequate regional jail and to provide jail services to local governments participating in the Middle River Regional Jail Authority (Authority), which was created by Resolution of the participating local governments. The Authority expanded membership to the County of Rockingham and the City of Harrisonburg in an agreement effective July 1, 2015. Each of the three original Member Jurisdictions authorized the expansion of the Authority's membership. The buy-in agreement price was determined pursuant to an arm's-length negotiation and calculated in part upon the original replacement cost of the Jail and an assumed usage of 250 beds by the additional member jurisdictions. The buy-in agreement stipulates that annual installment payments are due through December 15, 2024 and the balance remaining at June 30, 2023 was \$4,305,193. The additional members are treated as the current members with the same number of representatives on the Authority's Board and agreed upon entrance into the three year rolling average for allocation of net expenditures. Each of the localities appoints two members to the Authority Board. In addition to locality appointed members, the Sheriff of each participating locality is required to be appointed.

### Note 2. Summary of Significant Accounting Policies

#### A. Financial Reporting Entity

The Authority is not presented as a discretely presented component unit of any of the participating jurisdictions in accordance with Governmental Accounting Standards Board (GASB). The Authority is not fiscally dependent on any one particular Member Jurisdiction, and none of the Member Jurisdictions appoint a voting majority. The Authority is a legally separate entity from the jurisdictions.

#### B. Basic Financial Statements

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for proprietary funds and fiduciary funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's Discussion and Analysis (Management has elected not to prepare the Management's Discussion and Analysis in the current year)
- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Change in Net Position
  - Statement of Net Position – Proprietary Funds
  - Statement of Revenues, Expenses, and Change in Net Position – Proprietary Funds
  - Statement of Cash Flows – Proprietary Funds
  - Statement of Fiduciary Net Position – Fiduciary Funds
  - Statement of Changes in Fiduciary Net Position – Fiduciary Funds
  - Notes to Financial Statements
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# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Summary of Significant Accounting Policies (Continued)

#### B. Basic Financial Statements (Continued)

- Required Supplementary Information:
  - Schedule of Changes in Net Pension Asset and Related Ratios – Virginia Retirement System
  - Schedule of Contributions – Virginia Retirement System
  - Notes to Required Supplementary Information – Virginia Retirement System
  - Schedule of Changes in the Authority’s Total OPEB Liability and Related Ratios – Medical Insurance Program
  - Schedule of Employer Contributions – OPEB – Medical Insurance Program
  - Schedule of Employer’s Share of Net OPEB Liability – Group Life Insurance Program
  - Schedule of Employer Contributions – OPEB – Group Life Insurance Program
  - Notes to Required Supplementary Information – Other Postemployment Benefits

#### C. Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP). Accordingly, the Authority uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

Operating revenues and expenses generally result from providing services in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority are charges to Member Jurisdictions, bed rentals and state compensation board and per diem reimbursements. Operating expenses include the cost of services and administrative expenses.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### D. Capital Assets

Capital assets of the Authority are stated at historical cost and depreciated on the straight-line basis (except for intangible right-to-use lease and subscription assets, the measurement of which is discussed in Note 2.E). Donated capital assets are stated at their acquisition value on the date donated. The capitalization threshold for assets is \$5,000. There were no impaired capital assets at year end. Estimated useful lives, in years, for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	50
Vehicles and equipment	3 - 20
Intangible right-to-use equipment	3-5
Intangible right-to-use subscription assets	2-6

#### E. Leases

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

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Summary of Significant Accounting Policies (Continued)

#### E. Leases (Continued)

At the commencement of the lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured 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 judgements related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

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

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

*Lessor:* The Authority recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements.

At the commencement of the lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

At June 30, 2023, the Authority did not have any lessor agreements as described above.

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Summary of Significant Accounting Policies (Continued)

#### F. Subscription-Based Information Technology Arrangements (SBITAs)

The Authority adopted GASB Statement No. 96 on July 1, 2022.

For new or modified contracts, the Authority determines whether the contract is a SBITA. If a contract is determined to be, or contain, a SBITA with a non-cancellable term in excess of 12 months (including any options to extend or terminate the subscription when exercise is reasonably certain), the Authority records a subscription asset and subscription obligation which is calculated based on the value of the discounted future subscription payments over the term of the subscription. If the interest rate implicit in the subscription is not readily determinable, the Authority will use the applicable incremental borrowing rate in the calculation of the present value of the subscription payments.

The Authority recognizes a subscription liability and subscription asset on the Statement of Net Position. Subscriptions with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the subscription term.

At the commencement of a SBITA, the Authority measures the subscription liability at the present value of payments expected to be made during the subscription term and then reduces the liability by the principal portion of the subscription payments made. The subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs, then amortized on a straight-line basis over the subscription term.

Subscription payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

#### G. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### H. Restricted Investments

Investments, consisting primarily of money market funds, are stated at fair value.

#### I. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

#### J. Inventory

The Authority expenses all materials and supplies when purchased. Any items on hand at year-end are not material in amount and, therefore, are not shown in the financial statements.

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Summary of Significant Accounting Policies (Continued)

#### K. Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave until an employee is eligible for retirement. The maximum payout for sick leave is limited to \$5,000. Employees can earn a minimum 96 hours of vacation annually and can accumulate up to 384 hours of vacation depending on their years of service. Employees can also earn compensation time in lieu of overtime pay, which is accrued as a liability by the Authority.

#### L. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium.

#### M. Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. When the Authority has deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt they are also included in the component of net position.

#### N. Net Position Flow Assumption

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

#### O. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. These items relate to the pension and other postemployment benefits (OPEB) plans. See Notes 7 through 9 for details regarding these items.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. These items relate to the pension and OPEB plans. See Notes 7 through 9 for details regarding these items.

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Summary of Significant Accounting Policies (Continued)

#### P. Pensions

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

#### Q. Other Postemployment Benefits

##### **Medical Insurance Program**

The Medical Insurance Program is a single-employer plan. Differences between expected and actual experience and actuarial assumptions are amortized over the average of the expected remaining service lives of all employees that are covered through this plan, which is 9.35 years. Plan amendments are recognized immediately.

##### **Group Life Insurance Program**

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

#### R. Subsequent Events

The Authority has evaluated subsequent events through November 7, 2023, the date on which the financial statements were available to be issued.

### Note 3. Due From Other Governments

The amount due from other governments consists of receivable amounts from the Virginia Department of Corrections for compensation board salary reimbursement, state per diem fees, and medical services. At fiscal year-end, \$970,054 was due from the Virginia Department of Corrections and \$169,000 was due from the Department of Criminal Justice for an equipment grant. The remaining \$3,902 due from other governments is related to bed rental fees and pharmacy recovered costs.

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 4. Deposits and Investments

#### *Deposits*

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

#### *Investments*

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers’ acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

The Authority has investments in the LGIP. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The Authority’s investments in the LGIP, totaling \$9,535,789, are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an “AAAm” rating by Standard & Poor’s. The maturity of the LGIP is less than one year.

#### *Custodial Credit Risk (Deposits)*

This is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to the Authority. The Authority requires all deposits to comply with the Act. At year end, none of the Authority’s deposits were exposed to custodial credit risk.

#### *Custodial Credit Risk (Investments)*

The Authority’s investment policy provides that securities purchased for the Authority shall be held by the Authority or by the Authority’s custodian. If held by a custodian, the securities must be in the Authority’s name or in the custodian’s nominee name and identifiable on the custodian’s books as belonging to the Authority. Further, if held by a custodian, the custodian must be a third party, not a counterparty (buyer or seller), to the transaction. At June 30, 2023, all of the Authority’s investments were held in accordance with this policy.

#### *Credit Risk of Debt Securities*

The Authority’s investment policy for credit risk is consistent with the investments allowed by statutes as detailed above.

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Deposits and Investments (Continued)

The Authority's rated debt investments as of June 30, 2023 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Authority's Rated Debt Investments' Values	
	Fair Quality Ratings
	AAAm
Money Market Mutual Funds	\$ 3,236,288
<b>Total</b>	<b>\$ 3,236,288</b>

#### *Concentration of Credit Risk*

At June 30, 2023, the Authority maintained money market mutual funds with U.S. Bank in the amount of \$3,236,288. All other cash is maintained through a checking account through First Bank & Trust Co. These funds totaled \$11,290,009 at June 30, 2023.

#### *Interest Rate Risk*

All Authority investments must be in securities maturing within five years.

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Money Market Mutual Funds	\$ 3,236,288	\$ 3,236,288
	<u>\$ 3,236,288</u>	<u>\$ 3,236,288</u>

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2023:

- Money market funds of \$3,236,288, which are valued using quoted market prices (Level 1 inputs).

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets

A summary of changes in capital assets for the year follows:

	*Balance June 30, 2022	Increases	Decreases/ Transfer	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 612,500	\$ -	\$ -	\$ 612,500
Construction in progress	13,447	8,399	(13,447)	8,399
<b>Total capital assets not being depreciated</b>	<b>625,947</b>	<b>8,399</b>	<b>(13,447)</b>	<b>620,899</b>
Capital assets being depreciated:				
Buildings	45,279,812	-	-	45,279,812
Land improvement	-	62,300	-	62,300
Building improvement	-	1,240,920	-	1,240,920
Vehicles and equipment	5,423,019	290,592	(419,238)	5,294,373
Intangible right-to-use lease equipment	72,721	-	-	72,721
Intangible right-to-use subscription assets	306,847	-	-	306,847
<b>Total capital assets being depreciated</b>	<b>51,082,399</b>	<b>1,593,812</b>	<b>(419,238)</b>	<b>52,256,973</b>
Less accumulated depreciation for:				
Buildings	(14,718,332)	(910,706)	-	(15,629,038)
Vehicles and equipment	(3,385,978)	(384,508)	417,899	(3,352,587)
Land improvements	-	(1,038)	-	(1,038)
Building improvement	-	(38,251)	-	(38,251)
Intangible right-to-use lease equipment	(18,180)	(18,180)	-	(36,360)
Intangible right-to-use subscription assets	-	(66,620)	-	(66,620)
<b>Total accumulated depreciation</b>	<b>(18,122,490)</b>	<b>(1,419,303)</b>	<b>417,899</b>	<b>(19,123,894)</b>
<b>Total capital assets being depreciated, net</b>	<b>32,959,909</b>	<b>174,509</b>	<b>(1,339)</b>	<b>33,133,079</b>
<b>Total capital assets, net</b>	<b>\$ 33,585,856</b>	<b>\$ 182,908</b>	<b>\$ (14,786)</b>	<b>\$ 33,753,978</b>

\*The beginning balance was restated for recording intangible right-to-use subscription asset as of July 1 in accordance with GASB 96, *Subscription-Based Information Technology Arrangements*.

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Long-Term Obligations

The following is a summary of changes in long-term obligation transactions for the year ended June 30, 2023:

	*Balance			Balance	Amount
	June 30, 2022	Increases	Decreases	June 30, 2023	Due Within One Year
General obligation bond	\$ 16,845,000	\$ -	\$ (1,200,000)	\$ 15,645,000	\$ 1,250,000
Premium on bond issue	2,292,725	-	(208,429)	2,084,296	208,430
<b>Total general obligation bond and premium</b>	19,137,725	-	(1,408,429)	17,729,296	1,458,430
Compensated absences	595,409	452,376	(372,518)	675,267	168,817
Subscription liability	306,847	-	(63,134)	243,713	65,028
Lease liability	55,349	-	(17,900)	37,449	18,444
<b>Total long-term liabilities</b>	<b>\$ 19,788,483</b>	<b>\$ 452,376</b>	<b>\$ (1,798,847)</b>	<b>\$ 18,442,012</b>	<b>\$ 1,645,691</b>

\*The beginning balance was restated for recording right-to-use subscription asset as of July 1 in accordance with GASB 96, *Subscription-Based Information Technology Arrangements*.

### Leases Payable

During the current fiscal year, the Authority had a lease agreement with two years remaining as lessee for equipment. As of June 30, 2023, the value of the lease liability was \$37,449. The Authority is required to make monthly principal and interest payments of \$1,610. The lease has an interest rate of 3.00%. The equipment has a two year remaining estimated useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$72,721 and had accumulated amortization of \$36,360.

Year Ending June 30,	Lease	
	Principal	Interest
2024	\$ 18,444	\$ 871
2025	19,005	310
<b>Total</b>	<b>\$ 37,449</b>	<b>\$ 1,181</b>

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Long-Term Obligations (Continued)

#### Subscriptions Payable

During the current fiscal year, the Authority had two subscription agreements with two to six years for subscriptions. In accordance with the implementation of GASB Statement 96, an initial lease liability was recorded in the amount of \$306,847 during the current fiscal year. As of June 30, 2023, the value of the subscription liability was \$243,713. The Authority is required to make monthly principal and interest payments ranging from \$24,269 to \$48,071. The subscriptions have an interest rate of 3.00%. The subscriptions have one to five years remaining estimated useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$306,847 and had accumulated amortization of \$66,620.

Year Ending June 30,	SBITAs	
	Principal	Interest
2024	\$ 65,028	\$ 7,312
2025	42,710	5,361
2026	43,992	4,079
2027	45,312	2,759
2028	46,671	1,400
<b>Total</b>	<b>\$ 243,713</b>	<b>\$ 20,911</b>

Annual requirement to amortize long-term obligations are as follows:

Year Ending June 30,	Revenue Refunding Bond	
	Principal	Interest
2024	\$ 1,250,000	\$ 703,525
2025	1,310,000	645,625
2026	1,380,000	576,694
2027	1,450,000	506,350
2028	1,525,000	434,591
2029-2033	8,730,000	1,254,925
<b>Total</b>	<b>\$ 15,645,000</b>	<b>\$ 4,121,710</b>

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Long-Term Obligations (Continued)

The following provides details on long-term obligations as of June 30, 2023:

On November 19, 2014, the Authority issued Jail Facility Revenue Refunding Bonds, Series 2014 through the Virginia Resources Authority (VRA) in the amount of \$22,905,000 with a maturity date of October 1, 2032. Repayment of the bond is due in annual installments ranging from \$1,250,000 through \$1,910,000 plus semi-annual interest ranging from 3.43% to 5.13% through October 1, 2032. The bond was issued at a premium of \$3,543,302 which will be amortized over the life of the bond. U.S. Bank is Trustee for the bond funds and holds a debt service reserve and a portion of annual principal and interest payments in trust. At June 30, 2023, \$3,236,288 was held in trust at U.S. Bank. Principal outstanding at June 30, 2023 totaled \$15,645,000. According to the rate covenant as provided in the VRA Bond documents, the Authority shall fix and collect rates, fees and other charges for the use of and for services furnished by the Authority so that in each fiscal year the net revenues available for debt service will equal at least 100% of the amount required during the fiscal year to pay the principal of and interest on the local bond. At June 30, 2023, the debt coverage ratio is 3.96.

Fiscal Year June 30,	Operating Revenue	Operating Expenses Excluding Depreciation	Net Available Revenue	Annual Debt Service			Coverage Ratio
				Principal	Interest	Total	
2023	\$ 26,390,246	\$ 18,638,321	\$ 7,751,925	\$ 1,200,000	\$ 758,606	\$ 1,958,606	3.96

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plans

Administering Entity: Virginia Retirement System (System)

#### A. Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by the 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 set out in the table below:

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	<b>About Plan 2</b> Same as Plan 1.	<b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"><li>• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</li><li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li><li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li></ul>

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### B. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Eligible Members</b> Members are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><i>Hybrid Opt-In Election</i> Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Eligible Members</b> Members are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><i>Hybrid Opt-In Election</i> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>Eligible Members</b> Members are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"><li>• Political subdivision employees.*</li><li>• School division employees (teachers).</li><li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li></ul> <p><i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"><li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li></ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### C. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Retirement Contributions</b> Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Same as Plan 1.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Service Credit</b> Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Service Credit</b> Same as Plan 1.</p>	<p><b>Service Credit</b> <i>Defined Benefit Component</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><i>Defined Contribution Component</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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Note 7. Pension Plan (Continued)

D. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <i>Defined Benefit Component</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>
		<p><i>Defined Contribution Component</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p>
		<p>Members are always 100% vested in the contributions that they make.</p>
		<p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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Note 7. Pension Plan (Continued)

E. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit</b> The Basic Benefit is determined using the average final compensation, service credit, and plan multiplier.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Vesting (Continued)</b> <i>Defined Contribution Component (Continued)</i></p> <ul style="list-style-type: none"><li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li><li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li><li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li></ul>
<p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>		<p>Distribution is not required, except as governed by law.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Calculating the Benefit</b> <b><u>Defined Benefit Component</u></b> See definition under Plan 1.</p> <p><b><u>Defined Contribution Component</u></b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
		<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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Note 7. Pension Plan (Continued)

F. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Service Retirement Multiplier</b>  <i>VRS:</i> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p><b>Service Retirement Multiplier</b>  <i>VRS:</i> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b>  <i>Defined Benefit Component</i>  <i>VRS:</i> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p>	<p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p>	<p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p>
<p><b>Political subdivision hazardous duty employees:</b>                      The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><i>Defined Contribution Component</i>                      Not applicable.</p>
<p><b>Normal Retirement Age</b>  <i>VRS:</i> Age 65.</p>	<p><b>Normal Retirement Age</b>  <i>VRS:</i> Normal Social Security retirement age.</p>	<p><b>Normal Retirement Age</b>  <i>Defined Benefit Component</i>  <i>VRS:</i> Same as Plan 2.</p>
<p><b>Political subdivision hazardous duty employees:</b> Age 60.</p>	<p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><i>Defined Contribution Component</i>                      Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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Note 7. Pension Plan (Continued)

G. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Unreduced Retirement Eligibility</b>  <i>VRS:</i> Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <i>VRS:</i> Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <i>Defined Benefit Component</i>  <i>VRS:</i> Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90.</p>
<p><b>Political subdivision hazardous duty employees:</b>                      Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><i>Defined Contribution Component</i>                      Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>  <i>VRS:</i> Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <i>VRS:</i> Age 60 with at least five years (60 months) of service credit.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <i>Defined Benefit Component</i>  <i>VRS:</i> Age 60 with at least five years (60 months) of service credit.</p>
<p><b>Political subdivision hazardous duty employees:</b> Age 50 with at least five years of service credit.</p>	<p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><i>Defined Contribution Component</i>                      Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Pension Plan (Continued)**

**H. Plan Description (Continued)**

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>                      The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><i>Eligibility:</i>                      For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>                      The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.</p> <p><i>Eligibility:</i>                      Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <i>Defined Benefit Component</i>                      Same as Plan 2.</p> <p><i>Defined Contribution Component</i>                      Not applicable.</p> <p><i>Eligibility:</i>                      Same as Plan 1 and Plan 2.</p>

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Pension Plan (Continued)**

**I. Plan Description (Continued)**

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><i>Exceptions to COLA Effective Dates:</i>  <b>School Division (Teachers) and Political Subdivision Employees:</b>                      The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability.</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.</li> <li>• The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><i>Exceptions to COLA Effective Dates:</i>  <b>School Division (Teachers) and Political Subdivision Employees:</b> Same as Plan 1.</p>	<p><i>Exceptions to COLA Effective Dates:</i>  <b>School Division (Teachers) and Political Subdivision Employees:</b>                      Same as Plan 1 and Plan 2.</p>

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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Note 7. Pension Plan (Continued)

J. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b></p> <p><b>Political subdivision employees:</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.</p> <p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Disability Coverage</b></p> <p><b>Political subdivision employees:</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.</p> <p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Disability Coverage</b></p> <p>Employees of political subdivisions and school divisions (teachers), including Plan 1 and Plan 2 opt-ins, participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p><b>Purchase of Prior Service</b></p> <p><i>Defined Benefit Component</i> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <p><i>Defined Contribution Component</i> Not applicable.</p>

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### K. 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:

	<u>Number</u>
Inactive members or their beneficiaries current receiving benefits	<u>36</u>
Inactive members:	
Vested	17
Non-vested	97
Active elsewhere in VRS	<u>86</u>
<b>Total inactive members</b>	<u>200</u>
Active members	<u>159</u>
<b>Total covered employees</b>	<u><u>395</u></u>

#### L. Contributions

The contribution requirement for active employees is governed by Section 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 Authority's contractually required contribution rate for the year ended June 30, 2023, was 9.95% 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 an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$850,460 and \$880,706 for the years ended June 30, 2023 and 2022, respectively.

#### M. Net Pension Asset

The Authority's net pension asset is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, 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.

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### N. Actuarial Assumptions

The total pension liability for the Authority'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:	
General employees	3.50% - 5.35%
Public safety employees with hazardous duty benefits	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

#### *General Employees*

Mortality Rates:	15% of deaths are assumed to be service-related.
Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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:

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### O. Actuarial Assumptions (Continued)

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

#### *Public Safety Employees with Hazardous Duty Benefits*

Mortality Rates:	45% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward one year.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year; 1.0% increase compounded from ages 70 to 90; females set forward three years.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward two years; unisex using 100% male.

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:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plan (Continued)

#### P. 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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	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%
<b>Total</b>	<b>100.00%</b>		<b>5.33%</b>
	Inflation		2.50%
			<b>7.83%</b>

\*The above allocation provides a one-year expected 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. These 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 40<sup>th</sup> 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%.

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plan (Continued)

#### Q. Discount Rate

The discount rate used to measure the total pension 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 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 FY2012 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 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 asset.

#### R. Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances at June 30, 2021	\$ 17,496,847	\$ 25,340,369	\$ (7,843,522)
Changes for the year:			
Service cost	1,450,701	-	1,450,701
Interest	1,261,671	-	1,261,671
Difference between expected and actual experience	(1,610,802)	-	(1,610,802)
Contributions – employer	-	880,706	(880,706)
Contributions – employee	-	359,011	(359,011)
Net investment income	-	(56,603)	56,603
Benefit payments, including refunds of employee contributions	(512,252)	(512,252)	-
Administrative expense	-	(15,342)	15,342
Other	-	611	(611)
Net changes	589,318	656,131	(66,813)
Balances at June 30, 2022	\$ 18,086,165	\$ 25,996,500	\$ (7,910,335)

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plan (Continued)

#### S. Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the Authority, using the discount rate of 6.75%, as well as what the Authority's net pension assets would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Plan's net pension asset	\$ (4,920,107)	\$ (7,910,335)	\$ (10,308,192)

#### T. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the Authority recognized pension expense (credit) of \$(405,774). At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (2,392,955)
Changes in assumptions	612,186	-
Net difference between projected and actual earnings on pension plan investments	-	(658,737)
Employer contributions subsequent to the measurement date	850,460	-
<b>Total</b>	<b>\$ 1,462,646</b>	<b>\$ (3,051,692)</b>

The \$850,460 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as an increase of the net pension 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 Ending June 30,	Amount
2024	\$ (922,671)
2025	(837,457)
2026	(939,293)
2027	259,915
	<b>\$ (2,439,506)</b>

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### U. Pension Plan Data

Detailed information about the pension plans' fiduciary net position are available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2022-annual-report.pdf](http://varetire.org/pdf/publications/2022-annual-report.pdf) or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

### Note 8. Other Postemployment Benefits—Medical Insurance Program

#### A. Plan Description

The Authority's defined benefit other postemployment benefit (OPEB) – medical insurance plan provides OPEB for all permanent full-time general and public safety employees of the Authority. The plan was established by the Authority's Board and any amendments to the plan must be approved by the Board. This plan is a single-employer defined benefit OPEB plan administered by the Authority. No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75. This plan does not issue stand-alone financial reports.

The Authority offers its employees the option to participate in the group health insurance program offered to other employees upon retirement. Employees who retire after June 30, 1997, are 55 years of age, and were employed for at least 10 years of continuous service immediately prior to retirement are eligible to remain enrolled in the health insurance group plan and continue to have the premiums paid for health insurance coverage subject to specific terms. The Authority will pay 75% of the monthly premium, not to exceed \$2,500 per fiscal year. Retirees shall have participated in the group insurance program for the five years preceding retirement. Full cost of dependent coverage will be the responsibility of the retired employee. Eligibility for this benefit terminates at the time the retiree obtains other health coverage or reaches the age of 65. Should an employee be granted full retirement by VRS and/or Social Security because of disability, he/she will be eligible to receive the payments made by the Authority for retirees regardless of age if he/she has been employed by the Authority for at least 10 years immediately prior to the disability. The Authority reserves the right to change the terms of the retirees' health insurance coverage at any time, including the right to terminate any or all coverage provided to retirees. Eligibility conditions were revised as of July 1, 2019 to be based upon a retiree's attainment of age 50 as well as their eligibility to receive full or reduced retirement under the VRS.

#### B. Employees Covered by Benefit Terms

At July 1, 2022, the following employees were covered by the benefit terms:

	<u>Number</u>
Inactive employees or beneficiaries currently receiving benefit payments	159
Active employees	<u>3</u>
<b>Total</b>	<u><u>162</u></u>

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Other Postemployment Benefits—Medical Insurance Program (Continued)

#### C. Total Medical Insurance Program OPEB Liability

The Authority's total Medical Insurance OPEB liability of \$1,497,000 was measured as of July 1, 2022, and was determined by an actuarial valuation as of July 1, 2022.

#### D. Actuarial Assumptions and Other Inputs

The total Medical Insurance Program OPEB liabilities were based on an actuarial valuation as of July 1, 2022, using the Entry Age Normal actuarial cost method and the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.50%
Discount rate	3.69%
Healthcare cost trend rates	5.75% for fiscal year end 2023, decreasing 0.25% per year to an ultimate rate of 5.00%
Retirees' share of benefit-related costs	Increase each year by the assumed Medical Trend Rate
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021

The discount rate has been set equal to 3.69% and represents the Municipal GO AA 20-year yield curve rate as of the measurement date.

#### E. Changes in the Total Medical Insurance OPEB Liability

	Increase (Decrease)		
	Total Medical OPEB Liability	Plan Fiduciary Net Position	Net Medical OPEB Liability
Balance at July 1, 2022	\$ 1,740,000	\$ -	\$ 1,740,000
Changes for the year:			
Service cost	245,000	-	245,000
Interest	38,000	-	38,000
Differences between expected and actual experience	(112,000)	-	(112,000)
Contributions - employer	-	30,000	(30,000)
Benefit payments	(30,000)	(30,000)	-
Assumption changes	(384,000)	-	(384,000)
<b>Net changes</b>	<b>(243,000)</b>	<b>-</b>	<b>(243,000)</b>
Balance at June 30, 2023	\$ 1,497,000	\$ -	\$ 1,497,000

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**Note 8. Other Postemployment Benefits—Medical Insurance Program (Continued)**

**F. Sensitivity of the Total Medical Insurance OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Authority calculated using the stated discount rate, as well as what the Authority’s total Medical Insurance OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.69%) or 1-percentage-point higher (4.69%) than the current discount rate:

	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
Authority total OPEB liability	\$ 1,691,000	\$ 1,497,000	\$ 1,327,000

**G. Sensitivity of the Total Medical Insurance OPEB Liability to Changes in Healthcare Cost Trend Rate**

The following represents the total Medical Insurance OPEB liability of the Authority calculated using the stated trend rate, as well as what the Authority’s total Medical Insurance OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.75%) or 1-percentage-point higher (6.75%) than the current trend rate:

	1% Decrease (4.75%)	Current Trend Rate (5.75%)	1% Increase (6.75%)
Authority total OPEB liability	\$ 1,259,000	\$ 1,497,000	\$ 1,792,000

**H. Medical Insurance OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical Insurance OPEB**

For the year ended June 30, 2023, the Authority recognized Medical Insurance OPEB expense of \$191,000.

For the year ended June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Medical Insurance OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 137,000	\$ (959,000)
Changes of assumptions	384,000	(361,000)
Employer contributions subsequent to measurement date	40,002	-
<b>Total</b>	<b>\$ 561,002</b>	<b>\$ (1,320,000)</b>

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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Note 8. Other Postemployment Benefits—Medical Insurance Program (Continued)

H. Medical Insurance OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical Insurance OPEB (Continued)

The \$40,002 reported as deferred outflows of resources related to the Medical Insurance OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net Medical Insurance OPEB liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Medical Insurance OPEB will be recognized in the Medical Insurance OPEB expense in future reporting periods as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (91,000)
2025	(92,000)
2026	(92,000)
2027	(93,000)
2028	(124,000)
Thereafter	<u>(307,000)</u>
<b>Total</b>	<b><u>\$ (799,000)</u></b>

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Other Postemployment Benefits—Group Life Insurance Program**

**A. Plan Description**

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

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is set out in the table below:

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b><i>Eligible Employees</i></b>                      The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.                      Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p><b><i>Benefit Amounts</i></b>                      The benefits payable under the GLI have several components.</p> <ul style="list-style-type: none"> <li>• Natural Death Benefit: The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.</li> <li>• Accidental Death Benefit: The accidental death benefit is double the natural death benefit.</li> <li>• Other Benefit Provisions: In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:                             <ul style="list-style-type: none"> <li>○ Accidental dismemberment benefit</li> <li>○ Seatbelt benefit</li> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul> </li> </ul>
<p><b><i>Reduction in Benefit Amounts</i></b>                      The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b><i>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</i></b>                      For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.</p>

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Other Postemployment Benefits—Group Life Insurance Program (Continued)

#### B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.03421% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Authority were \$46,344 and \$40,181 for the years ended June 30, 2023 and 2022, respectively.

#### C. GLI OPEB Liability, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2023, the Authority reported a liability of \$411,921 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employers' proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Authority's proportion was 0.03421% as compared to 0.03645% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$16,826 and the Commonwealth's special contribution of \$10,413. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,619	\$ (16,525)
Investment experience	-	(25,739)
Change in assumptions	15,364	(40,123)
Changes in proportionate share and difference between expected and actual contributions	11,213	(31,643)
Employer contributions subsequent to the measurement date	46,344	-
<b>Total</b>	<b>\$ 105,540</b>	<b>\$ (114,030)</b>

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Other Postemployment Benefits—Group Life Insurance Program (Continued)

#### C. GLI OPEB Liability, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

The \$46,344 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2024	\$ (6,019)
2025	(10,496)
2026	(26,581)
2027	(3,470)
2028	(8,268)
<b>Total</b>	<b>\$ (54,834)</b>

#### D. Actuarial Assumptions

The total GLI OPEB liability 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:	
General employees	3.50% - 5.35%
Public safety employees with hazardous duty benefits	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

#### *Mortality Rates – General Employees*

Pre-retirement:	Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Other Postemployment Benefits—Group Life Insurance Program (Continued)

#### D. Actuarial Assumptions (Continued)

##### *Mortality Rates – General Employees (Continued)*

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:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each 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

##### *Mortality Rates – Hazardous Duty Employees*

Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 9. Other Postemployment Benefits—Group Life Insurance Program (Continued)**

**D. Actuarial Assumptions (Continued)**

*Mortality Rates – Hazardous Duty Employees (Continued)*

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:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed from rates based on age and services to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**E. Net GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,672,085
Plan fiduciary net position	2,467,989
<b>GLI Net OPEB liability</b>	<b>\$ 1,204,096</b>

Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.21%
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# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Other Postemployment Benefits—Group Life Insurance Program (Continued)

#### E. Net GLI OPEB Liability (Continued)

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

#### F. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long- Term Expected Rate of Return*
Public Equity	34.00%	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%
<b>Total</b>	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. These 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 40<sup>th</sup> 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%.

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Other Postemployment Benefits—Group Life Insurance Program (Continued)

#### G. Discount Rate

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

#### H. Sensitivity of the Participating Employers' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority net GLI OPEB liability	\$ 599,394	\$ 411,921	\$ 260,418

#### I. GLI Fiduciary Net Position

Detailed information about the GLI's fiduciary net position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2022-annual-report.pdf](http://varetire.org/pdf/publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

### Note 10. Risk Management

#### Auto, Liability and Workers' Compensation Insurance

The Authority is a member of the Virginia Association of Counties Risk Pool (VACorp) for all risks of losses. This workers' compensation program is administered by a servicing contractor, which furnishes claims review and processing.

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### Note 10. Risk Management (Continued)

Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays VACorp contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of VACorp and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, VACorp may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority also participates in the VaRisk2, a group liability self insurance plan, administered by the Commonwealth of Virginia, Department of General Services, Division of Risk Management. The Authority pays an annual premium for its public officials general liability insurance to this public entity risk pool currently operating as a common risk management and insurance program for participating governments. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

The Authority continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Beginning in fiscal year 2022, the Authority revised its health insurance plan to fully retain the associated risk. The risk financing is accounted for in the health benefits funds. Premiums are paid for all full-time employees of the Authority to a claims administrator who processes all claims.

Liabilities are reported when it is possible that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include any amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering recent settlement trends including frequency and amount of payouts.

#### Health Insurance

Authority employees and employee dependents are eligible for medical benefits from a health insurance Internal Service Fund. Funding is provided by charges to the Authorities employees and retirees. The program is supplemented by stop loss protection, which limits the Authorities annual liability.

Fiscal Year Ended	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
June 30, 2023	\$ 157,000	\$ 1,617,635	\$ 1,616,635	\$ 158,000
June 30, 2022	-	1,890,846	1,733,846	157,000

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### **Note 11. Contingency**

The Authority is a defendant in various legal matters generally incidental to its business. It is management's opinion that the financial position of the Authority will not be materially affected by the ultimate resolution of litigation pending or threatened at June 30, 2023.

The Authority has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

### **Note 12. Pending GASB Statements**

At June 30, 2023, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

GASB Statement No. 99, *Omnibus 2022*, will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain requirements of Statement 99 will be effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement 100 will be effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 will be effective for fiscal years beginning after December 15, 2023.

Management has not determined the effect these new Statements may have on prospective financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS –  
VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Total Pension Liability										
Service cost	\$ 1,088,683	\$ 1,081,998	\$ 1,150,730	\$ 1,234,668	\$ 1,289,668	\$ 1,321,628	\$ 1,439,296	\$ 1,308,814	\$ 1,450,701	
Interest	444,658	542,543	620,835	686,312	784,376	874,342	978,894	1,081,983	1,261,671	
Changes of benefit terms	-	-	-	(182,574)	-	-	-	-	-	
Difference between expected and actual experience	-	(321,907)	(475,700)	9,127	(541,692)	(345,766)	(477,619)	(1,658,978)	(1,610,802)	
Changes of assumptions	-	-	-	-	-	506,699	-	938,757	-	
Benefit payments, including refunds of employee contributions	(153,313)	(116,657)	(251,709)	(469,258)	(223,956)	(270,305)	(420,424)	(406,224)	(512,252)	
<b>Net change in total pension liability</b>	<b>1,380,028</b>	<b>1,185,977</b>	<b>1,044,156</b>	<b>1,278,275</b>	<b>1,308,396</b>	<b>2,086,598</b>	<b>1,520,147</b>	<b>1,264,352</b>	<b>589,318</b>	
Total pension liability - beginning	6,428,918	7,808,946	8,994,923	10,039,079	11,317,354	12,625,750	14,712,348	16,232,495	17,496,847	
Total pension liability - ending (a)	\$ 7,808,946	\$ 8,994,923	\$ 10,039,079	\$ 11,317,354	\$ 12,625,750	\$ 14,712,348	\$ 16,232,495	\$ 17,496,847	\$ 18,086,165	
Plan Fiduciary Net Position										
Contributions - employer	\$ 763,721	\$ 778,228	\$ 825,943	\$ 781,150	\$ 840,802	\$ 871,612	\$ 913,063	\$ 894,763	\$ 880,706	
Contributions - employee	269,134	279,945	297,368	319,765	351,241	355,909	371,865	365,336	359,011	
Net investment income	1,205,451	451,289	215,679	1,477,150	1,051,416	1,113,039	358,880	5,398,025	(56,603)	
Benefit payments, including refunds of employee contributions	(153,313)	(116,657)	(251,709)	(469,258)	(223,956)	(270,305)	(420,424)	(406,224)	(512,252)	
Administrative expense	(5,674)	(5,141)	(5,984)	(7,751)	(8,092)	(9,605)	(10,863)	(12,217)	(15,342)	
Other	63	(98)	(85)	(1,350)	(982)	(714)	(431)	520	611	
<b>Net change in plan fiduciary net position</b>	<b>2,079,382</b>	<b>1,387,566</b>	<b>1,081,212</b>	<b>2,099,706</b>	<b>2,010,429</b>	<b>2,059,936</b>	<b>1,212,090</b>	<b>6,240,203</b>	<b>656,131</b>	
Plan fiduciary net position - beginning	7,169,845	9,249,227	10,636,793	11,718,005	13,817,711	15,828,140	17,888,076	19,100,166	25,340,369	
Plan fiduciary net position - ending (b)	\$ 9,249,227	\$ 10,636,793	\$ 11,718,005	\$ 13,817,711	\$ 15,828,140	\$ 17,888,076	\$ 19,100,166	\$ 25,340,369	\$ 25,996,500	
Authority's net pension asset - ending (a) - (b)	\$ (1,440,281)	\$ (1,641,870)	\$ (1,678,926)	\$ (2,500,357)	\$ (3,202,390)	\$ (3,175,728)	\$ (2,867,671)	\$ (7,843,522)	\$ (7,910,335)	
Plan fiduciary net position as a percentage of the total pension liability	118.44%	118.25%	116.72%	122.09%	125.36%	121.59%	117.67%	144.83%	143.74%	
Covered payroll	\$ 5,385,903	\$ 5,623,035	\$ 5,967,796	\$ 6,397,625	\$ 6,886,175	\$ 7,185,589	\$ 7,527,312	\$ 7,406,978	\$ 7,290,613	
Authority's net pension asset as a percentage of covered payroll	26.74%	29.20%	28.13%	39.08%	46.50%	44.20%	38.10%	105.89%	108.50%	

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**EXHIBIT 9**

**SCHEDULE OF CONTRIBUTIONS –VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution (CRC)	\$ 763,721	\$ 778,228	\$ 825,943	\$ 781,150	\$ 840,802	\$ 871,612	\$ 913,063	\$ 894,763	\$ 880,706	\$ 850,460
Contributions in relation to the CRC	763,721	778,228	825,943	781,150	840,802	871,612	913,063	894,763	880,706	850,460
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 5,385,903	\$ 5,623,035	\$ 5,967,796	\$ 6,397,625	\$ 6,886,175	\$ 7,185,589	\$ 7,527,312	\$ 7,406,978	\$ 7,290,613	\$ 8,547,337
Contributions as a percentage of covered payroll	14.18%	13.84%	13.84%	12.21%	12.21%	12.13%	12.13%	12.08%	12.08%	9.95%

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION VIRGINIA RETIREMENT SYSTEM YEAR ENDED JUNE 30, 2023

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### Note 1. Changes of Benefit Terms

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

### Note 2. 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:

#### *General Employees*

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

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
VIRGINIA RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 2023**

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**Note 2. Changes of Assumptions (Continued)**

***Public Safety Employees with Hazardous Duty Benefits***

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changes from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Local's Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS – MEDICAL INSURANCE PROGRAM**

	Fiscal Year June 30,					
	2017	2018	2019	2020	2021	2022
Total OPEB liability:						
Service cost	\$ 94,000	\$ 96,000	\$ 80,000	\$ 215,000	\$ 256,000	\$ 245,000
Interest	56,000	56,000	56,000	87,000	82,000	38,000
Changes of benefit terms	-	-	603,000	-	(760,000)	-
Differences between expected and actual experience	-	14,000	248,000	5,000	(1,137,000)	(112,000)
Changes of assumptions or other inputs	-	(38,000)	142,000	244,000	206,000	(384,000)
Contributions - employer	(26,000)	(252,000)	(53,000)	3,000	(23,000)	(30,000)
<b>Net change in total OPEB liability</b>	<b>124,000</b>	<b>(124,000)</b>	<b>1,076,000</b>	<b>554,000</b>	<b>(1,376,000)</b>	<b>(243,000)</b>
Total OPEB liability, beginning	1,486,000	1,610,000	1,486,000	2,562,000	3,116,000	1,740,000
Total Medical Insurance OPEB liability, ending	\$ 1,610,000	\$ 1,486,000	\$ 2,562,000	\$ 3,116,000	\$ 1,740,000	\$ 1,497,000
Covered payroll	\$ 6,264,999	\$ 6,265,000	\$ 7,787,000	\$ 7,787,000	\$ 7,834,000	\$ 7,441,000
Total OPEB liability as a percentage of covered payroll	25.70%	23.72%	32.90%	40.02%	22.21%	20.12%

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years which information is available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB – MEDICAL INSURANCE PROGRAM**

	Fiscal Year June 30,						
	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution (CRC)	\$ 26,000	\$ 252,000	\$ 53,000	\$ 3,000	\$ 23,000	\$ 36,039	\$ 40,002
Contributions in relation to the CRC	26,000	252,000	53,000	3,000	23,000	36,039	40,002
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 6,264,999	\$ 6,265,000	\$ 7,787,000	\$ 7,787,000	\$ 7,834,000	\$ 7,441,000	\$ 7,834,000
Contributions as a percentage of covered payroll	0.42%	4.02%	0.68%	0.04%	0.29%	0.48%	0.51%

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM**

	Fiscal Year June 30,					
	2017	2018	2019	2020	2021	2022
Employer's proportion of the net GLI OPEB liability	0.03489%	0.03650%	0.03674%	0.03698%	0.03645%	0.03421%
Employer's proportionate share of the net GLI OPEB liability	\$ 525,535	\$ 554,535	\$ 597,858	\$ 617,135	\$ 424,377	\$ 411,921
Employer's covered payroll	6,435,577	6,934,198	7,202,439	7,610,991	7,525,256	7,440,870
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.17%	8.00%	8.30%	8.11%	5.64%	5.54%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%	52.00%	52.64%	67.45%	67.21%

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**EXHIBIT 13**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM**

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution (CRC)	\$ 25,861	\$ 27,006	\$ 28,735	\$ 33,465	\$ 36,090	\$ 37,453	\$ 39,578	\$ 40,636	\$ 40,181	\$ 46,344
Contributions in relation to the CRC	25,861	27,006	28,735	33,465	36,090	37,453	39,578	40,636	40,181	46,344
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 5,387,681	\$ 5,626,315	\$ 5,986,407	\$ 6,435,577	\$ 6,934,198	\$ 7,202,439	\$ 7,610,991	\$ 7,525,256	\$ 7,440,870	\$ 8,582,265
Contributions as a percentage of covered payroll	0.48%	0.48%	0.48%	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%	0.54%

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS YEAR ENDED JUNE 30, 2023

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### Note 1. Medical Insurance Program

#### A. Changes of Benefit Terms

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

#### B. Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

2023	3.69%
2022	1.92%
2021	2.45%

### Note 2. Group Life Insurance Program

#### A. Changes of Benefit Terms

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

#### B. 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:

#### *General Employees*

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each 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

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS  
YEAR ENDED JUNE 30, 2023**

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**Note 2. Group Life Insurance Program (Continued)**

**B. Changes of Assumptions (Continued)**

*Hazardous Duty Employees*

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and services to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

## **SUPPLEMENTARY INFORMATION**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**June 30, 2023**

	Custodial Funds					Total
	Inmate Commissary Account	Inmate Account	Phone Account	Work Release Account	Inmate Daily Fee Account	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 1,199,258	\$ (207,825)	\$ 103,336	\$ 142,658	\$ 9,137	\$ 1,246,564
<b>Total assets</b>	<b>\$ 1,199,258</b>	<b>\$ (207,825)</b>	<b>\$ 103,336</b>	<b>\$ 142,658</b>	<b>\$ 9,137</b>	<b>\$ 1,246,564</b>
<b>NET POSITION</b>						
Restricted for:						
Canteen purchase	\$ 1,199,258	\$ -	\$ -	\$ -	\$ -	\$ 1,199,258
Inmate benefits	-	(207,825)	-	-	9,137	(198,688)
Inmates	-	-	103,336	142,658	-	245,994
<b>Total net position</b>	<b>\$ 1,199,258</b>	<b>\$ (207,825)</b>	<b>\$ 103,336</b>	<b>\$ 142,658</b>	<b>\$ 9,137</b>	<b>\$ 1,246,564</b>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –  
FIDUCIARY FUNDS  
Year Ended June 30, 2023**

	Custodial Funds					Total
	Inmate Commissary Account	Inmate Account	Phone Account	Work Release Account	Inmate Daily Fee Account	
<b>ADDITIONS</b>						
Contributions:						
Inmate	\$ 1,133,801	\$ -	\$ -	\$ -	\$ -	\$ 1,133,801
Commissary	-	774,042	-	-	-	774,042
Telephone commission	-	-	287,574	-	-	287,574
Work release	-	-	-	192,029	-	192,029
Keep fees	-	-	-	-	247,501	247,501
<b>Total contributions</b>	<b>1,133,801</b>	<b>774,042</b>	<b>287,574</b>	<b>192,029</b>	<b>247,501</b>	<b>2,634,947</b>
Investment Earnings:						
Interest	-	4,732	-	-	-	4,732
<b>Total additions</b>	<b>1,133,801</b>	<b>778,774</b>	<b>287,574</b>	<b>192,029</b>	<b>247,501</b>	<b>2,639,679</b>
<b>DEDUCTIONS</b>						
Medical and Prescription Co-pays	72,576	-	-	-	-	72,576
Inmate Withdrawals and Allowances	163,340	-	-	-	-	163,340
Canteen Supplies	679,639	535,679	-	-	-	1,215,318
Inmate Adult Education	-	245,801	-	-	-	245,801
Inmate Library Costs	-	14,442	-	-	-	14,442
Cable/TV Service	-	14,321	-	-	-	14,321
Inmate Supplies/Capital Items	-	12,067	-	-	-	12,067
Miscellaneous	2,154	142,340	-	-	-	144,494
Telephone Commissions	-	-	287,574	-	-	287,574
Work Release	-	-	-	192,029	-	192,029
Keep Fees	-	-	-	-	247,501	247,501
<b>Total deductions</b>	<b>917,709</b>	<b>964,650</b>	<b>287,574</b>	<b>192,029</b>	<b>247,501</b>	<b>2,609,463</b>
<b>Net increase (decrease) in fiduciary net position</b>	<b>216,092</b>	<b>(185,876)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,216</b>
Net Position, beginning	983,166	(21,949)	103,336	142,658	9,137	1,216,348
Net Position, ending	\$ 1,199,258	\$ (207,825)	\$ 103,336	\$ 142,658	\$ 9,137	\$ 1,246,564

**SCHEDULE OF EXPENDITURES, NON-GAAP – CAPITAL PROJECTS FUND**  
**Year Ended June 30, 2023**

	Current Year Actual	Total Actual to Date	Project Authorization	Project Balance
Expenditures				
Heating Boiler Replacement	\$ 299,200	\$ 299,200	\$ 299,200	\$ -
Server and Data Storage	69,012	69,012	69,012	-
Parking Lot Re-Surfacing	62,300	62,300	62,300	-
Lobby Renovation	8,399	8,399	250,000	241,601
Inmate Housing Seating	-	-	150,000	150,000
Fire Prevention Foam System	-	-	175,000	175,000
Jail Fence	-	-	300,000	300,000
Electrical Capacity Upgrade	-	-	594,488	594,488
Generator Work	-	-	100,000	100,000
<b>Total expenditures</b>	<b>\$ 438,911</b>	<b>\$ 438,911</b>	<b>\$ 2,000,000</b>	<b>\$ 1,561,089</b>

**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES, AND CHANGES IN FUND BALANCE, NON-GAAP MODIFIED ACCRUAL**  
**Year Ended June 30, 2023**

	Operating Fund	Capital Projects Fund	Total
Revenues:			
From member jurisdictions	\$ 14,452,771	\$ -	\$ 14,452,771
Local bed rentals	43,489	-	43,489
Other income	35,072	-	35,072
Recovered costs	428,305	-	428,305
Fees and charges for services	939,309	-	939,309
State compensation board	8,962,142	-	8,962,142
Per diem reimbursement	1,364,348	-	1,364,348
GLI OPEB Nonemployer Contributions from the Commonwealth	10,413	-	10,413
Other state grants	211,826	-	211,826
Federal grants	169,000	-	169,000
Interest income	821,835	-	821,835
<b>Total revenues</b>	<b>27,438,510</b>	<b>-</b>	<b>27,438,510</b>
Expenditures			
Salaries and wages	10,335,917	-	10,335,917
Fringe benefits	3,410,163	-	3,410,163
Contractual services	3,238,810	-	3,238,810
Administrative charges	-	-	-
Other charges	1,034,409	-	1,034,409
Materials and supplies	1,665,194	-	1,665,194
Interest expense and other charges	530,552	-	530,552
Loss on disposals	14,786	-	14,786
Heating Boiler Replacement	-	299,200	299,200
Server and Data Storage	-	69,012	69,012
Parking Lot Re-Surfacing	-	62,300	62,300
Lobby Renovation	-	8,399	8,399
Other capital outlay	1,163,300	-	1,163,300
Debt service	1,281,034	-	1,281,034
<b>Total expenditures</b>	<b>22,674,165</b>	<b>438,911</b>	<b>23,113,076</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>4,764,345</b>	<b>(438,911)</b>	<b>4,325,434</b>
Other Financing Sources (uses)			
Transfers out	(3,500,000)	-	(3,500,000)
Transfers in	-	3,500,000	3,500,000
<b>Total other financing sources (uses)</b>	<b>(3,500,000)</b>	<b>3,500,000</b>	<b>-</b>
<b>Change in fund balance</b>	<b>\$ 1,264,345</b>	<b>\$ 3,061,089</b>	<b>\$ 4,325,434</b>

## Reconciliation - modified accrual basis with full accrual:

Capital Outlay	\$ 1,602,211
Depreciation and amortization	(1,419,303)
Debt service - principal	1,281,034
Change in accrued interest	(15,123)
Change in compensated absence	(79,858)
Change in pension asset/liabilities and related deferred outflows and inflows of resources	1,238,945
Change in OPEB liabilities and related deferred outflows and inflows of resources	(117,105)
<b>Increase in net position</b>	<b>\$ 6,816,235</b>

## **COMPLIANCE SECTION**



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

To the Board  
Middle River Regional Jail Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities, major fund, and the remaining fund information of the Middle River Regional Jail Authority (Authority) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 7, 2023.

**Report on Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*P. B. Mares, CPA*

Harrisonburg, Virginia  
November 7, 2023