APPALACHIAN JUVENILE COMMISSION

FINANCIAL REPORT

June 30, 2026

Olinger & Associates, PLLC
Certified Public Accountants

APPALACHIAN JUVENILE COMMISSION

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Olinger & Associates, PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Appalachian Juvenile Commission
Bristol, Virginia

Opinion

We have audited the accompanying financial statements of Appalachian Juvenile Commission (a nonprofit organization), which comprise the statement of financial position as of June 30, 2026, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Appalachian Juvenile Commission as of June 30, 2026, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Appalachian Juvenile Commission and to meet 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 Appalachian Juvenile Commission's ability to continue as a going concern with one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia 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.

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

- Exercise professional judgement and maintain professional skepticism through the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud of 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 Appalachian Juvenile Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Appalachian Juvenile Commission's ability to continue as a going concern for a reasonable period.

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 postemployment and net pension liabilities and notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Accompanying Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of support and revenue and schedules of revenue and expenses / budget to actual comparison presented on page 52-54 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2026, on our consideration of the Appalachian Juvenile Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Appalachian Juvenile Commission's internal control over financial reporting and compliance.

Slinger & Associates, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Tennessee
October 1, 2026

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF FINANCIAL POSITION
June 30, 2026

ASSETS	
Current Assets	
Cash and cash equivalents	$ 4,530,156
Accounts receivable	164,005
Prepaid expenses	1,630
Deferred Outflows	
Pension related	772,317
OPEB related	42,317
Total Current Assets	5,510,425
Property and equipment, net	1,672,586
Total Assets	$ 7,183,011
LIABILITIES	
Current Liabilities	
Accounts payable	$ 21,893
Payroll liabilities	5,677
Accrued compensated absences and salaries	591,892
Deferred Inflows	
Pension related	-
OPEB related	7,886
Postemployment benefit obligations - Current portion	46,500
Total Current Liabilities	673,848
Long-term Liabilities	
Deferred inflows	
Pension related	-
OPEB related	3,710
Net pension liability	2,059,190
Postemployment benefit obligations	553,811
Total Long-term Liabilities	2,616,711
Total Liabilities	3,290,559
NET ASSETS	
Without Donor Restriction	3,892,452
Total Liabilities and Net Assets	$ 7,183,011

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

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2026

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
SUPPORT AND REVENUE	
Local revenue - juvenile detention	$ 3,763,590
Local revenue - non commission juvenile detention	536,890
State revenue - juvenile detention	387,821
State - Commonwealth of Virginia	2,146,686
Federal funds	91,291
Interest income	148,518
Gain (Loss) on disposal of assets	(5,818)
Miscellaneous	27,502
Total Support and Revenue Without Donor Restrictions	7,096,480
EXPENSES	6,089,119
Increase in Net Assets Without Donor Restrictions	1,007,361
NET ASSETS AT BEGINNING OF YEAR (Restated)	2,885,091
NET ASSETS AT END OF YEAR	$ 3,892,452

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

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2026

	Program Services			Supporting Services		
	Secure	Alternatives	Drug Court	General & Administrative	Fund-raising	Total Expenses
Salaries and wages	$ 2,408,660	$ 684,925	$ 85,794	$ 385,643	$ -	$ 3,565,022
Payroll tax expense	175,109	48,434	6,036	28,271	-	257,850
Employee health, dental insurance	513,634	152,604	13,212	76,174	-	755,624
Employee disability and life	5,618	1,402	30	1,035	-	8,085
Retirement benefits	242,789	71,822	8,269	42,250	-	365,130
Postemployment/retirement benefits (gain)- contra	304,926	-	-	-	-	304,926
Workman's compensation insurance	23,138	4,997	637	210	-	28,982
Food	120,984	-	-	-	-	120,984
Medical services	38,314	-	-	-	-	38,314
Medical supplies	1,559	-	-	-	-	1,559
Medications	1,723	-	-	-	-	1,723
Ward expenses	15,295	-	-	-	-	15,295
Utilities	60,633	946	-	946	-	62,525
Communications	31,966	9,348	679	1,850	-	43,843
Office supplies	2,204	875	83	1,952	-	5,114
Household and cleaning supplies	11,515	-	-	625	-	12,140
Kitchen supplies	14,456	-	-	-	-	14,456
Travel	2,079	40,237	7,356	434	-	50,106
Training	13,051	83	210	626	-	13,970
Commission expense	-	-	-	10,986	-	10,986
Repairs and maintenance - equipment	19,804	7,520	270	-	-	27,594
Equipment	5,139	1,762	-	1,249		8,150
Professional fees	1,116	541	-	47,250	-	48,907
Drug/alcohol screening	507	-	17	-	-	524
Program services	6,184	10,501	4,548	-	-	21,233
Dues and professional membership	179	-	-	800	-	979
Secuity supplies	4,763	-		-		4,763
Insurance expense	16,805	4,881	354	798	-	22,838
Repairs and maintenance-building	83,859	-	-	-	-	83,859
Office rental	-	11,000	-	5,176	-	16,176
Electronic monitoring	-	6,813		-		6,813
Substance abuse test	-	-	17	-		17
Depreciation	122,075	48,408	147	-	-	170,630
Total expenses	$ 4,248,086	$ 1,107,099	$ 127,659	$ 606,275	$ -	$ 6,089,119

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

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2026

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets without donor restrictions	$ 1,007,361
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	170,630
(Gain) loss on disposal of assets	5,818
(Increase) decrease in operating assets	
Receivables	(32,950)
Prepaid expense	2,001
Deferred outflows	(438,759)
Increase (decrease) in operating liabilities	
Accounts payable	3,081
Payroll liabilities	4,450
Accrued salaries and compensated absences	51,883
Postemployment benefit obligation (gain)	55,317
Net pension liability and deferred pension inflows	688,368
Net cash provided by operating activities	1,517,200
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from the sale of property	-
Purchase of property and equipment	(317,626)
Net cash used by investing activities	(317,626)
CASH FLOWS FROM FINANCING ACTIVITIES	
Distribution to localities	(28,625)
Net cash used by financing activities	(28,625)
Net increase (decrease) in cash and cash equivalents	1,170,949
CASH AND CASH EQUIVALENTS, Beginning	3,359,207
CASH AND CASH EQUIVALENTS, Ending	$ 4,530,156
SUPPLEMENTAL INFORMATION:	
Interest paid	$ -

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

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational History

The Highlands Juvenile Detention Center Commission was organized as of July 1, 1984 and exists by virtue of concurrent resolutions of the counties of Washington, Smyth, and the City of Bristol, all of which are in the Commonwealth of Virginia, which resolutions implement Article 13 of Title 16.1-315 of the Code of Virginia, and as so provided, is a corporate and political public body with all the powers and duties granted to it under the Code of Virginia.

Effective July 1, 2003, the Commission was expanded to allow the counties of Lee, Dickenson, Tazewell, Wise, Russell, Buchanan, Scott and the City of Norton to buy into the Commission's regionalization over a five-year period for approximately $980,000.

Effective July 1, 2005, Highlands Juvenile Detention Center Commission and Southwest Regional Group Home merged together to enhance the services to the youth of Southwest Virginia. The combined Commissions operate under the umbrella of one Commission known as the Appalachian Juvenile Commission. As of July 1, 2011, the Commission no longer operates the group home.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual method of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of three months or less and which are not subject to withdrawal restrictions or penalties.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Commission reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with restrictions to net assets without donor restrictions at that time.

Property and Equipment

The counties of the Commission jointly own the building the Commission occupies. It was constructed in the year 1972-73 and was occupied in July 1973. The land on which the building resides was donated to the Commission in 1998. The donation was unrestricted. Expenditures for the acquisition of property and equipment with a cost greater than $1,000 and a useful life of greater than one year are capitalized at cost. Depreciation is provided over the estimated useful lives of the building and improvements (40 years) and equipment and furniture (5-15 years) on the straight-line method.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Commission reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from the use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at June 30, 2026.

Employee Benefits

The cost of employee benefits and compensated absences are accrued as vested to the employee. The Appalachian Juvenile Commission has postemployment benefits and one postretirement health benefits that are unfunded; thus, no plan assets are set aside for funding. The Virginia Retirement Systems' (VRS) postemployment health and group life OPEB benefits are funded; thus, plan assets are set aside for funding. The Commission does not maintain any unfunded retirement plans.

Financial Statement Presentation

The financial statement presentation follows requirements of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board Accounting Standards Codification. Under the Not-for-Profit Topic, the Commission is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

Estimates

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

Income Taxes

Appalachian Juvenile Commission is a not-for-profit organization that is exempt from federal income taxes under Internal Revenue Code Section 501 (c) (3) except on net income derived from unrelated business activities. The Commission did not have any unrelated business income subject to tax. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2026, consisted of the following:

Land	$ 39,900
Building and improvements	3,351,214
Equipment & vehicles	839,552
	4,230,666
Less accumulated depreciation	2,558,080
Total Property and Equipment	$1,672,586

Depreciation expense for the current year is $170,630.

NOTE 3. NATURE OF FUNDING POLICIES

State funding to support locally operated adult and juvenile programs is recorded using block grants. In accordance with Virginia Code Sections 16.1-322.1, 16.1-322.2, 16.1-309.6, and 16.1-309.7, the Commission was awarded initial grants, subject to revisions, to supplement the operation of the local correctional programs. The Commission received $1,124,141 in Virginia block grant funds and $175,455 in CAP and $846,690 in IBP grant funds for the year ended June 30, 2026. Pursuant to Sections 16.1-322.2 and 16.1-309.7 of the Code, any unexpended funds at the end of each fiscal year shall be retained by the locality and subsequently expended for operating expenses of the Commission.

NOTE 4. CONCENTRATIONS OF RISK

The Commission maintains its operating and capital replacement cash balances at one financial institution located in Bristol TN/VA. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to $250,000. The bank collateralizes any amounts greater than $250,000 as public funds.

NOTE 5. RESTATEMENT OF FUND BALANCE

In October, 2011, the commission agreed to return to the localities any profits that exceeded six percent of net income. The beginning net assets on the statement of activities was restated to reflect a return of $28,625 to the localities for fiscal year 2025.

Net Position, July 1, 2025, as previously stated	$2,913,716
Localities Funding Distributions	(28,625)
Net Position, July 1, 2025 restated	$2,885,091

NOTE 6. SUBSEQUENT EVENT

Subsequent events have been evaluated through October 1, 2026 which is the date the financial statements were available to be issued.

NOTE 7. LEASES

Appalachian Juvenile Commission entered into a lease on May 1, 2014 for additional office space. The terms of this lease is for fourteen months at $1,112 per month which includes the 27% shared utility cost and terminated on June 30, 2019. The Commission has renewed the lease for a one year option since termination. The renewal rate shall be a three percent increase in the basic rental rate plus 27% of shared utility cost.

The projected annual lease amounts for the succeeding one year period based upon the lease agreement are as follows:

Schedule of Future Lease Payments:

Fiscal Year Ending	Basic Rate	Plus Additional Rate
June 30, 2027	$16,176	Plus 27% of shared utility expenses

Office space rental expense (including 27% shared utility expenses) for June 30, 2026 was $16,176.

The Commission also has non-material leases for office equipment which are treated as operating leases in the Statement of Activities.

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

The Commission sponsors postemployment health benefits to certain former employees. Effective January 1, 2004, the Commission adopted an unfunded postretirement health and dental plan for all employees.

The ASC 715-60 standard on accounting for postretirement benefits, other than pensions, requires the following disclosure with regard to the retiree medical insurance liability:

Description of the Retiree Medical Insurance Plans:

a. Plan Type:	Pre 65: Statewide funded plan which includes: Medical (PPO) and Vision - Anthem Blue Cross Blue Shield Prescription Drugs - Anthem Blue Cross Blue Shield Behavioral Health and EAP - Anthem Blue Cross Blue Shield Dental - Delta Dental Plan of Virginia Details of the above can be found in the "Key Advantage with Expanded Benefits" plan booklet. Post 65: Advantage 65, administered by Anthem Blue Cross, or they may elect to choose their own plan.
b. Eligibility	Employees are eligible for benefits at a minimum of age 50 with 20 years of service.

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

c. Benefit Cost Sharing

Benefits cease 5 years after date of retirement and are capped at a maximum of $700 per month.

Pre-65: Employer's contribution varies according to service at retirement and is outlined as follows:

i.) 20 years of service - 60% of premium.
ii) 25 years of service - 80% of premium
iii) 30 years of service - 100% of premium

Post 65: Employer's contribution varies according to service at retirement and is outlined as follows:

i.) 20 years of service - 60% of the maximum of $500 per month
ii) 25 years of service - 80% of the maximum of $500 per month
iii) 30 years of service - 100% of the maximum of $500 per month

Spouse and Surviving Spouse Benefits: No

Annual Medical Premiums: As of July 1, 2025

Pre-65 $13,212 Post-65 $3,048

The following ASC 715-60 disclosures provide a reconciliation of changes in the plan benefit obligations and fair value of assets and a statement of funded status as of June 30, 2026:

A. **Change in accumulated postretirement benefit obligation**	**7/1/2025 to 06/30/2026**	**7/1/2024 to 06/30/2025**
1. Postretirement benefit obligation at beginning of year		
a. Actives not fully eligible to retire	$ 165,782	$ 141,256
b. Actives fully eligible to retire	162,407	128,103
c. Retirees	56,937	74,086
d. Total	$ 385,126	$ 343,445
2. Service cost	$ 13,465	$ 10,037
3. Interest cost	$ 18,876	$ 17,138
4. Amendments	$ 104,891	$ -
5. Actuarial (gain) loss	$ (19,218)	$ 44,762
6. Benefits paid	$ (38,631)	$ (30,256)
7. Postretirement benefit obligation at end of year		-
a. Actives not fully eligible to retire	$ 201,062	$ 165,782
b. Actives fully eligible to retire	$ 199,581	$ 162,407
c. Retirees	$ 63,866	$ 56,937
d. Total	$ 464,509	$ 385,126

B. **Change in plan assets**	**7/1/2025 to 06/30/2026**	**7/1/2024 to 06/30/2025**
1. Fair value of plan assets at beginning of year	$ -	$ -
2. Actual return on plan assets	-	-
3. Employer contribution	38,631	30,256
4. Benefits paid	(38,631)	(30,256)
5. Fair value of plan assets at end of year	$ -	$ -

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

C.	**Funded status**	**6/30/2026**	**6/30/2025**
1.	Postretirement benefit obligation at end of year	$ 464,509	$ 385,126
2.	Fair value of plan assets at end of year	-	-
3.	Funded status end of year (1. - 2.)	$ 464,509	$ 385,126
4.	Current liability	$ 46,500	$ 38,631
5.	Non-current liability	418,009	346,495
6.	Total (4.+ 5.)	$ 464,509	$ 385,126

D.	**Components of the net periodic postretirement benefit cost**	**7/1/2025 to 06/30/2026**	**7/1/2024 to 06/30/2025**
1.	Service cost	$ 13,465	$ 10,037
2.	Interest cost	18,876	17,138
3.	Return on plan assets	-	-
4.	Amortization of transition obligation	-	-
5.	Amortization of prior service cost	-	-
6.	Amortization of actuarial (gain) loss	(671)	(5,584)
7.	Total	$ 31,670	$ 21,591

E.	**OPEB changes other than net periodic postretirement benefit cost**	**7/1/2025 to 06/30/2026**	**7/1/2024 to 06/30/2025**
1.	New prior service cost	$ 104,891	$ -
2.	New actuarial (gain) loss	(19,218)	44,762
3.	Amortization of unrecognized amounts	671	5,584
4.	Total	$ 86,344	$ 50,346

F. **Unrecognized amounts and amortization amounts in the following year**

			6/30/2026	**6/30/2025**
1.	Unrecognized amounts			
	a.	Transition obligation	$ -	$ -
	b.	Prior service cost	104,891	-
	c.	Net actuarial (gain) / loss	(64,579)	(46,032)
	d.	Total	$ 40,312	$ (46,032)
2.	Amortization amounts in the following year			
	a.	Transition obligation	$ -	$ -
	b.	Prior service cost	9,730	-
	c.	Net actuarial (gain) / loss	(1,694)	(709)
	d.	Total	$ 8,036	$ (709)

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

G. **Assumptions and effects**

			6/30/2026	6/30/2025
1.	Actuarial assumptions			
	a.	Medical / drug trend rate next year	6.50%	5.50%
	b.	Ultimate trend rate	4.50%	4.50%
	c.	Year ultimate trend rate is achieved	2031	2027
	d.	Discount rate used to value end of year accumulated postretirement benefit obligations	5.31%	5.16%
	e.	Discount rate used to value net periodic postretirement benefit cost	5.16%	5.22%
2.	Effect of a 1% increase in health care cost trend rate on:			
	a.	Interest cost plus service cost	$ 1,182	$ 1,097
	b.	Accumulated postretirement benefit obligation	$ 11,081	$ 11,382
3.	Effect of a 1% decrease in health care cost trend rate on:			
	a.	Interest cost plus service cost	$ (1,260)	$ (1,143)
	b.	Accumulated postretirement benefit obligation	$ (11,861)	$ (11,761)
4.	Measurement date		6/30/2026	6/30/2025

H. **Estimated future benefit payments**

Benefit payments are shown net of employee contribution.

Year Beginning July 1st:	Estimated Employer Payment
2026	$ 46,500
2027	$ 41,058
2028	$ 31,519
2029	$ 36,756
2030	$ 42,936
2031 - 2035	$ 165,669

I. **Expected employer contribution for next fiscal year**

For non-funded plans, employer contributions equal benefit payments (above) for net of retiree contributions for the next fiscal year.

2026	$ 46,500

The total postemployment benefit obligation is reflected on the Statement of Financial Position as follows:

Postemployment benefit obligation - Other - current	$ 46,500
Postemployment benefit obligation - Other long term	418,009
	$ 464,509

NOTE 9. HEALTH INSURANCE CREDIT (HIC) OPEB PLAN- VRS

Summary of Significant Accounting Policies

Health Insurance Credit Program

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

General Information about the Political Subdivision Health Insurance Credit Program

Plan Description

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

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

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: . Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: . **At Retirement** – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45 per month. . **Disability Retirement** – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45 per month.

NOTE 9. HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (Continued)

Health Insurance Credit Program Notes:

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

Employees Covered by Benefit Terms

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	31
Vested inactive members	-
Active members	47
Total covered employees	78

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Appalachian Juvenile Commission's contractually required employer contribution rate for the year ended June 30, 2026 was .43% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Appalachian Juvenile Commission to the Political Subdivision Health Insurance Credit Program were $13,336 and $13,350 for the years ended June 30, 2026 and June 30, 2025, respectively.

Net HIC OPEB Liability

The Appalachian Juvenile Commission's net Health Insurance Credit OPEB liability was measured as of June 30, 2025. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2024, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025.

NOTE 9. HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (Continued)

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2024, 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, 2025.

Inflation	2.5 percent
Salary increases, including inflation –	
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 Percent, net of investment expenses, including inflation

Mortality rates – Non-metro Locality Employees-General Employees

Pre-Retirement:

Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 95% of rate for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount-Weighted tables. With 75% of the MP-2021 scale projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females se forward 2 years.

Beneficiaries and Survivors:

Pub-2010 Amount-Weighted tables, with 75% of MP-2021 Scale projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of MP-2021 rates.

The actuarial assumptions used in the June 30, 2024 valuation were rolled forward to a measurement date of June 30, 2025 and were based on the result of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustment , update to MP-2021 projection scale multiplies by 75%
Retirement Rates	Moved~25% of the way to the observed experience on a liability-weighted basis.
Termination Rates	Moved~25% of the way to the observed experience on a liability-weighted basis.
Disability Rates	Moved~50% of the way to the observed experience on a headcount-
Salary Scale	Increase Merit & Longevity 50 basis points
Line of Duty Disability	No change
Benefit Participation (future service retirees)	Increased participation to 87%
Benefit Participation (future disability)	Increased participation to 54%
Benefit participation (from terminated vested)	Increased participation to 87%
Benefit utilization (not receiving the max)	Reduced to 4%
Benefit utilization (not receiving the max-amount of max	No change
Benefit utilization (benefit increase for those not at the	Removed
Percentage of deferred vested members electing to	Reduced
Terminated vested member commencement age	Adjusted slightly
Discount Rate	No change

NOTE 9. HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Target Asset Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Avg Long-Term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Inv	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
	* Expected arithmetic nominal return		7.07%

* The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

NOTE 9. HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (Continued)

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2025, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2025 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liabilitv.

Changes in Net HIC OPEB Liability:

	Increase (Decrease)		
	Total HIC OPEB Liability	**Plan Fiduciary Net Position**	**Net HIC OPEB Liability**
Balances at June 30, 2024	$ 91,569	$ 60,057	$ 31,512
Changes for the year:			
Service cost	1,195	-	1,195
Interest	6,073	-	6,073
Change in benefit terms	-	-	-
Changes in assumption	4,715	-	4,715
Differences between expected and actual experience	3,505	-	3,505
		13,353	(13,353)
Contributions - employer	-	-	-
Net investment income	-	6,770	(6,770)
Benefit payments	(5,598)	(5,598)	-
Administrative expenses	-	(102)	102
Other changes	-	-	-
Net changes	9,890	14,423	(4,533)
Balances at June 30, 2025	$ 101,459	$ 74,480	$ 26,979

NOTE 9. HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (Continued)

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

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

	1.00% Decrease (5.75%)	Current Discount (6.75%)	1.00% Increase (7.75%)
Political Subdivision's Plan's Net OPEB Liability	$ 38,923	$ 26,979	$ 16,975

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

For the year ended June 30, 2026, the Commission recognized Health Insurance Credit Program OPEB expense (income) $(5,712). At June 30, 2026, the Commission reported deferred outflows of resources and deferred inflows of resources related to the Commissions' Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,156	$ 12,481
Change in assumptions	3,650	3,718
Net differences between projected and actual earnings on Political HIC OPEB Plan investments	-	2,203
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date*	13,336	-
Total	$ 20,142	$ 18,402

*$13,336 reported as deferred outflows of resources related to the HIC OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year ended June 30:	
2027	$ (7,886)
2028	(3,872)
2029	80
2030	82
2031	-
Thereafter	-
Total	$ (11,596)

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2025 *Comprehensive Annual Financial Report*. A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2025-annual-report.pdf, or by writing to the System's Chief Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 10. GROUP LIFE INSURANCE (GLI) PROGRAM OPEB PLAN

Summary of Significant Accounting Policies

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost- sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net 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.

General Information about the Group Life Insurance Program

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Portsmouth • City of Roanoke • Roanoke City Schools Board The city of Richmond and the City of Norfolk participate in VRS for retirement and life. However, there are employees under each locality who decide to remain with the locality's retirement plan and are covered under VRS for life insurance only. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

NOTE 10. GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB) PLAN (Continued)

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components. **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.

Accidental Death Benefit – The accidental death benefit is double the natural death benefit.

Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances.

These include:

Accidental dismemberment benefit
Seatbelt benefit
Repatriation benefit
Felonious assault benefit
Accelerated death benefit option

Reduction in Benefit Amounts

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

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $9,254 as of June 30, 2026.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia* , as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% 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, 2026 was 0.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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. Contribution to the Group Life Insurance Program from the entity were $14,577 and $14,589 for the years ended June 30, 2026 and June 30, 2025, respectively.

NOTE 10. GROUP LIFE INSURANCE (GLI) PROGRAM OPEB PLAN (Continued)

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

At June 30, 2026, the Commission reported a liability of $108,823 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2025 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, 2025, and was rolled forward to the measurement date of June 30, 2025. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2025, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2025, the participating employer's proportion was .01131% as compared to .03673% at June 30, 2024.

For the year ended June 30, 2026, the participating employer recognized GLI OPEB expense(income) of $997. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2026, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflow Resources
Differences between expected and actual experience	$ 19,305	$ 2,048
Net differences between projected and actual earnings on GLI OPEB Plan investments	-	15,229
Change in assumptions	-	3,561
Change in proportionate share	19,138	3,201
Employer contributions subsequent to the measurement date	14,404	-
Total	$ 52,847	$ 24,039

$14,404 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30:	
	$ 1,894
	2,928
	3,950
	2,924
	2,708
Thereafter	-
Total	$ 14,404

NOTE 10. GROUP LIFE INSURANCE (GLI) PROGRAM OPEB PLAN (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023 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, 2025.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
Valor's employees	3.5 percent – 4.75 percent
JRS employees	4.0 percent
Locality - General employees	3.5 percent – 5.35 percent
Locality - Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 Percent, net of investment expenses, including inflation

Mortality rates - Non-Metro Locality Employees-General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted-tables, with 75% of the MP-2021 Scale projected generationally; 95% of rates for male; 105% rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted-tables, with 75% of the MP-2021 Scale projected generationally; 110%% of rates for male; 105% rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted-tables, with 75% of the MP-2021 Scale projected generationally; 95% of rates for males set back 3 years ; 90% rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted-tables, with 75% of the MP-2021 Scale projected generationally; 110% of rates for male set forward 2 years; 110% rates for females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2021 Scale Improvement Scale that is 75% of the standard rate.

The actuarial assumptions used in the June 30, 2024 valuation were rolled forward to a measurement date of June 30,2025 and were based on the result of an actuarial experience study for the period form July 1, 2020, through June 30,2024. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows.

NOTE 10. GROUP LIFE INSURANCE (GLI) PROGRAM OPEB PLAN (Continued)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustment , update to MP-2021 projection scale multiplies by 75%
Retirement Rates	Moved~25% of the way to the observed experience on a liability-weighted basis.
Termination Rates	Moved~25% of the way to the observed experience on a liability-weighted basis.
Disability Rates	Moved~50% of the way to the observed experience on a headcount-
Salary Scale	Increase Merit & Longevity 50 basis points
Retiree labiality estimation for Life only	Change 1.618% to 2.0%
Discount Rate	No change

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2025, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

Group Life Insurance OPEB Program (In Thousands)

Total GLI OPEB Liability	$4,433,282
Plan Fiduciary Net Position	3,471,094
Employers' Net GLI OPEB Liability (Asset)	$ 962,188
Plan Fiduciary Net Position as a Percentage	78.30%

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

NOTE 10. GROUP LIFE INSURANCE (GLI) PROGRAM OPEB PLAN (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Avg Long-Term Expected Rate of Return*
Public Equity	32.00%	6.60%	2.11%
Fixed Income	16.00%	5.09%	0.81%
Credit Strategies	16.00%	8.21%	1.31%
Real Assets	15.00%	7.10%	1.07%
Private Equity	15.00%	8.60%	1.29%
PIP - Private Investment Partnership	1.00%	7.95%	0.08%
Diversifying Strategies	6.00%	6.82%	0.41%
Cash	2.00%	4.07%	0.08%
Leverage	-3.00%	4.57%	-0.14%
Total	100.00%		7.02%
* Expected arithmetic nominal return			7.02%

* The above allocation provides a one-year return of 7.02% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.06, including expected inflation of 2.50%.

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

NOTE 10. GROUP LIFE INSURANCE (GLI) PROGRAM OPEB PLAN (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2025, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2025 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1.00% Decrease (5.75)%	Current Discount Rate (6.75)%	1.00% Increase (7.75)%
Employer's proportionate share of the GLI Program Net OPEB Liability	$ 183,580	$ 108,823	$ 48,512

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2025 Comprehensive Annual Financial Report (CAFR). A copy of the 2025 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2025-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 11. PENSION PLANS

Summary of Significant Accounting Policies

Defined Contribution Plan:

The Commission has a 457 defined contribution plan which is 100% funded by employee contributions.

Pensions - Virginia Retirement System

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

Plan Description

All full-time, salaried permanent (professional) employees of the Political Subdivision are automatically covered by VRS Retirement Plan upon employment. This plan is administered by 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 services, 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 services, 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:

NOTE 11. PENSION PLANS (VRS) (Continued)

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

NOTE 11. PENSION PLANS (VRS) (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous date covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1, through April 30, 2014. The Hybrid Retirement effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members return to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1, through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members return to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees or the hazardous duty alternative option. 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.

NOTE 11. PENSION PLANS (VRS) (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions Employees 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 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.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** Defined Benefit Component: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

NOTE 11. PENSION PLANS (VRS) (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Define Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement of leaving covered employment, a member is eligible to withdraw a percentage of employer contribution to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required, except as governed by law until age 73.

NOTE 11. PENSION PLANS (VRS) (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The basis benefit is calculated using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with 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.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component**: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS**: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

NOTE 11. PENSION PLANS (VRS) (Continued)

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

NOTE 11. PENSION PLANS (VRS) (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement The Cost-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%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
Eligibility: For members who retire with a 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 following the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Eligibility:** Same as Plan 1.	**Eligibility:** Same as Plan 1.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member retires on disability. • The member retires directly from short-term or long-term disability • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in service benefit.	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1.

NOTE 11. PENSION PLANS (VRS) (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before become eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

NOTE 11. PENSION PLANS (VRS) (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	27
Inactive members:	
Vested Inactive members	12
Non-vested Inactive members	15
Long-term Disability	-
Inactive members active elsewhere in VRS	14
Active members	47
Total covered employees	115

Contributions

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

The Commission's contractually required contribution rate for the year ended June 30, 2026 was 8.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the cost of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Commission were $274,170 and $272,459 for the years ended June 30, 2026 and June 30, 2025, respectively.

NOTE 11. PENSION PLANS (VRS) (Continued)

Contributions (Continued)

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which total $13,954 for the year ended June 30, 2026. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $13,359 for the year ended June 30, 2026. The total Hybrid plan participant covered payroll totaled $1,395,236 for the year ended June 30, 2026.

Net Pension Liability

The net pension liability (NPL) is calculated separately for employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Commission, the net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2024 rolled forward to the measurement date of June 30, 2025.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2024, 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, 2025.

NOTE 11. PENSION PLANS (VRS) (Continued)

Actuarial Assumptions - General Employees (Continued)

Inflation	2.50%
Salary increases, including Inflation	3.5 % - 5.35%
Investment rate of return	6.75% , net of pension plan investment expense, including inflation

Mortality rates:

Non-Metro-Non-Hazardous Duty:

15% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally males set forward 2 years; 105% of rates for femals set forward 3 years.

Post-Retirement:

Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 95% of rate for males set forward 2 years; 95% of rates for femals set forward 1 year.

Post-Disablement:

Pub-2010 Amount-Weighted tables. With 75% of the MP-2021 scale 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 tables, with 75% of MP-2021 Scale projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of MP-2021 rates.

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020 through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Metro-Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustment , update to MP-2021 projection scale multiplies by 75%
Retirement Rates	Moved~25% of the way to the observed experience on a liability-weighted basis.
Termination Rates	Moved~25% of the way to the observed experience on a liability-weighted basis.
Disability Rates	Moved~50% of the way to the observed experience, on a
Salary Scale	Increase Merit & Longevity 50 basis points
Discount Rate	No change

NOTE 11. PENSION PLANS (VRS) (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Avg Long-Term Expected Rate of Return
Public Equity	32.00%	6.60%	2.11%
Fixed Income	16.00%	5.09%	0.81%
Credit Strategies	16.00%	8.21%	1.31%
Real Assets	15.00%	7.10%	1.07%
Private Equity	15.00%	8.60%	1.29%
PIP - Private Investment Partnership	1.00%	7.95%	0.08%
Diversifying Strategies	6.00%	6.82%	0.41%
Cash	2.00%	4.07%	0.08%
Leverage	-3.00%	4.57%	-0.14%
Total	100.00%		7.02%
	* Expected arithmetic nominal return		7.02%

*The above allocation provides a one-year return of 7.02% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various economic conditions. These results provide a range of returns over various times periods that ultimately provide a median return of 7.06%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2025, the employer contribution rate is 100% of the actuarially determined employer contribution rate from June 30, 2024, actuarial valuations. From July 1, 2025 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contributions rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11. PENSION PLANS (VRS) (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Total Pension Liability (a) - (b)
Balance at June 30, 2024	$ 9,398,449	$ 8,027,627	$ 1,370,822
Change for the year:	-	-	-
Service Cost	239,573	-	239,573
Interest	637,471	-	637,471
Changes in assumptions	-	-	-
Differences between expected	(35,341)	-	(35,341)
and actual experience	1,115,022	-	1,115,022
Contributions - employer	-	274,516	(274,516)
Contributions - employee	-	142,070	(142,070)
Net investment income	-	856,318	(856,318)
Benefit payments, including	(388,000)	(388,000)	-
refunds of employee contributions	-	(4,770)	4,770
Administrative expenses	-	223	(223)
Other changes	-	-	-
Net changes	1,568,725	880,357	688,368
Balance at June 30, 2025	$ 10,967,174	$ 8,907,984	$ 2,059,190

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Political Subdivision's Plan's Net Pension Liability	$ 3,643,000	$ 2,059,190	$ 757,214

NOTE 11. PENSION PLANS (VRS) (Continued)

For the year ended June 30, 2026, the political subdivision recognized pension expense of **$534,468**. At June 30, 2026, the Commissions reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 801,350	$ -
Change in assumptions	-	23,361
Net difference between projected and actual earnings on plan investments	-	-
	-	279,842
Employer contributions subsequent to the measurement date	274,170	-
Total	$ 1,075,520	$ 303,203

$274,170 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30		
year 1	2027	$ 423,565
year 2	2028	244,157
year 3	2029	(106,845)
year 4	2030	(62,730)
year 5	2031	-
	Thereafter	-
	Total	$ 498,147

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2025 Annual Report. A copy of the 2025 VRS Report may be downloaded from the VRS website at http://www.varetire.org/medi/shared/pdf/publications/2025-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 12. FUNCTIONAL EXPENSES

The Statement of Functional Expenses categorizes expenses that are attributable to program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain cost have been allocated among the program and supporting services benefited. Such allocations are determined by management on a reasonable and equitable basis.

Allocated expenses and the method of allocation are as follows:

Allocated Expenses	Method of Allocation
Salaries and wages	Time and effort
Payroll tax expense	Time and effort
Employee health, dental insurance	Time and effort
Employee disability and life	Time and effort
Postemployment / retirement benefits (gain)	Time and effort
Workman's compensation insurance	Time and effort
Commission expense	Time and effort
Professional fees	Time and effort
Dues and professional membership	Time and effort
Other program expenses	Time and effort

NOTE 13 CONTINGENCY - EXPANSION - SERVICE BUILDING

During the fiscal year, the Commission entered into an agreement for a feasibility study to build a new service building. The Commission agreed to pay $250,000. At June 30, 2026 a total of $106,400 has been expended.

NOTE 14 LIQUIDITY

The following reflects the Commission's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

As part of the Commission's liquidity management, the Commission invest cash in excess of the annual requirements in the Local Government investment pool. The Commission's liquidity at year end to support the ongoing activities is as follows:

	2026
Financial assets at year-end	$ 4,694,161
Less those unavailable for general expenditures within one year.	-
Financial assets available to meet cash needs for general expenditures within one year	$ 4,694,161

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2026

APPALACHIAN JUVENILE COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2026

Schedule of Changes in the Commission's Net HIC OPEB Liability and Related Ratios

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total HIC OPEB liability:									
Service Cost	$ 1,195	$ 1,153	$ 1,208	$ 2,468	$ 2,202	$ 2,457	$ 2,287	$ 2,237	$ 2,365
Interest	6,073	6,845	7,197	8,732	8,175	7,744	7,856	7,363	7,448
Changes of benefit terms	-	-	-	-	-	-	-	-	-
experience	3,505	(13,979)	(7,914)	(11,375)	1,860	3,028	(3,000)	5,687	-
Changes in assumptions	4,715	-	-	(14,990)	347	-	2,747	-	(2,943)
Benefit Payments	(5,598)	(5,419)	(5,884)	(6,725)	(6,884)	(6,803)	(7,996)	(8,477)	(7,691)
Refunds of contributions	-	-	-	-	-	-	-	-	-
Net change in total HIC OPEB liability	9,890	(11,400)	(5,393)	(21,890)	5,700	6,426	1,894	6,810	(821)
Total HIC OPEB liability - beginning	91,569	102,969	108,362	130,252	124,552	118,126	116,232	109,422	110,243
Total HIC OPEB liability - ending(a)	$ 101,459	$ 91,569	$ 102,969	$ 108,362	$ 130,252	$ 124,552	$ 118,126	$ 116,232	$ 109,422
Plan fiduciary net position:									
Contributions- Employee	-	-	-	-	-	-	-	-	-
Contributions- Employer	$ 13,353	$ 11,258	$ 9,773	$ 8,378	$ 7,973	$ 9,018	$ 8,716	$ 7,653	$ 7,625
Net investment income	6,770	5,048	2,693	6	8,136	572	1,648	1,748	2,536
Benefit Payments	(5,598)	(5,419)	(5,884)	(6,725)	(6,884)	(6,803)	(7,996)	(8,477)	(7,691)
Administrative charges	(102)	(73)	(67)	(76)	(100)	(57)	(37)	(40)	(42)
Other	-	-	87	1,618	-	-	(2)	(129)	129
Net change in plan fiduciary net position	14,423	10,814	6,602	3,201	9,125	2,730	2,329	755	2,557
Plan fiduciary net position - beginning	60,057	49,243	42,641	39,440	30,315	27,585	25,256	24,534	21,977
Plan fiduciary net position - ending (b)	74,480	60,057	49,243	42,641	39,440	30,315	27,585	25,289	24,534
Political subdivision's net HIC OPEB liability - ending (a) - (b)	$ 26,979	$ 31,512	$ 53,726	$ 65,721	$ 90,812	$ 94,237	$ 90,541	$ 90,943	$ 84,888
Plan fiduciary net position as a percentage of the total HIC OPEB liability	276.07%	190.58%	91.66%	64.88%	43.43%	32.17%	30.47%	27.81%	28.90%
Covered payroll	$ 3,105,385	$ 2,618,178	$ 2,272,794	$ 1,948,392	$ 1,854,114	$ 2,049,931	$ 2,029,622	$ 1,913,191	$ 1,881,048
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	0.87%	1.20%	2.36%	3.37%	4.90%	4.60%	4.46%	4.75%	4.51%

APPALACHIAN JUVENILE COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2026

Schedule of Employer Contributions

Health Insurance Credit Contributions - Political Subdivisions

For the Years Ended 2017 and 2026

Date	Contractually Required Contributions (1)	Contributions in Relation to Contractually Required Contributions (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2026	$ 13,336	$ 13,336	$ -	$ 3,101,472	0.43%
2025	$ 13,353	$ 13,353	$ -	$ 3,105,385	0.43%
2024	$ 11,258	$ 11,258	$ -	$ 2,618,178	0.43%
2023	$ 9,773	$ 9,773	$ -	$ 2,272,794	0.43%
2022	$ 8,378	$ 8,378	$ -	$ 1,948,392	0.43%
2021	$ 7,973	$ 7,973	$ -	$ 1,854,114	0.43%
2020	$ 8,716	$ 8,716	$ -	$ 2,049,931	0.43%
2019	$ 8,727	$ 8,727	$ -	$ 2,029,622	0.43%
2018	$ 7,653	$ 7,653	$ -	$ 1,913,191	0.40%
2017	$ 7,625	$ 7,625	$ -	$ 1,881,048	0.41%

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

Column 4 – Employer's covered payroll amount for the fiscal year.

APPALACHIAN JUVENILE COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2026

Health Insurance Credit Program Plan Data

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2024, valuation were based on the measurement date of June 30, 2025 and were based on the results on an actuarial experience study of the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Metro Locality Employees-General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved -25% of the way to the observed experience, on a liability-weighted basis
Termination Rates	Moved -25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved -50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points
Benefit participation (future service retirees)	Increased participation to 87%
Benefit participation (future disability)	Increased participation to 54%
Benefit participation (from terminated vested	Increased participation to 87%
Benefit utilization (not receiving the max)	Reduced to 4%
Benefit utilization (not receiving the max-amount of max received)	No change
Benefit Utilization (benefit increase for those not at the	Reduced
Percentage of deferred vested members electing to withdraw from VRS	Reduced
Terminated vested member commencement age	Adjusted slightly
Discount Rate	No change

APPALACHIAN JUVENILE COMMISSION
Notes to Required Supplementary Information
For the Year Ended June 30, 2026

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.01131%	0.03673%	0.03521%	0.00896%	0.01034%	0.01020%	0.10000%	0.01066%	0.01066%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	$ 108,823	$ 113,824	$ 115,734	$ 107,887	$ 170,054	$ 168,260	$ 152,780	$ 155,450	$ 186,500
Employer's Covered Payroll	$ 3,105,385	$ 2,618,178	$ 2,272,784	$ 1,948,392	$ 1,854,114	$ 2,049,931	$ 2,029,622	$1,913,191	$ 1,881,048
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	3.50%	4.35%	5.09%	5.54%	9.1717%	8.2081%	7.5275%	8.1252%	9.9147%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	78.30%	73.41%	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

For reference only:
The plan Fiduciary Net Position as a percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on pages 134 and 135 of the VRS 2025 Annual report.

APPALACHIAN JUVENILE COMMISSION
Notes to Required Supplementary Information - GLI
For the Year Ended June 30, 2026

Schedule of Employer GLI Contributions
For the Years Ended June 30, 2016 through 2026

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
	(1)	(2)	(3)	(4)	(5)
2025	$ 14,589	$ 14,589	$ -	$ 3,104,124	0.4700%
2024	$ 14,138	$ 14,138	$ -	$ 2,618,178	0.5400%
2023	$ 12,273	$ 12,273	$ -	$ 2,272,794	0.5400%
2022	$ 10,521	$ 10,521	$ -	$ 1,948,392	0.5400%
2021	$ 10,012	$ 10,012	$ -	$ 1,854,114	0.5400%
2020	$ 10,905	$ 10,905	$ -	$ 2,049,931	0.5320%
2019	$ 10,540	$ 10,540	$ -	$ 2,029,622	0.5193%
2018	$ 9,949	$ 9,949	$ -	$ 1,913,191	0.5200%
2017	$ 9,912	$ 9,912	$ -	$ 1,881,048	0.5269%
2016	$ 9,196	$ 9,196	$ -	$ 1,886,751	0.4874%

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll
Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.
Column 4 – Employer's covered payroll amount for the fiscal year.

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a maeaserment date June 30, 2025 and were based on the resluts of an actuarial experience study for the period July 21, 2020 through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates - Non-Metro Locality Employees-General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables withadjustment , update to MP-2021 projection scale multiplies by 75%
Retirement Rates	Moved~25% of the way to the observed experience on a liability-weighted basis.
Termination Rates	Moved~25% of the way to the observed experience on a liability-weighted basis.
Disability Rates	Moved~50% of the way to the observed experience on headcount-weighted basis.
Salary Scale	Increase Merit & Longeviity 50 basis points
Retiree liability estimation for life only	Change 1.618% to 2.0%
Discount Rate	No change

APPALACHIAN JUVENILE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in the Net Pension Liability and Related Ratios

For Periods Ending June 30: in thousands

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:											
Service Cost	$ 239,573	$ 194,654	$ 178,259	$ 152,171	$ 187,264	$ 191,016	$ 176,567	174,244	$ 187,256	$ 184,496	$ 185,069
Interest	637,471	592,347	535,243	522,193	481,213	451,553	436,606	408,742	411,687	391,804	378,373
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-	-
Changes in assumptions	(35,341)	-	-	-	111,419	-	212,878	-	(110,235)	-	-
Differences between actual & expected experience	1,115,022	210,440	486,511	(128,400)	37,161	122,993	(82,027)	101,528	(239,604)	(22,813)	(121,020)
Benefit Payments	(388,000)	(359,712)	(381,129)	(376,296)	(347,929)	(304,382)	(278,795)	(294,117)	(288,221)	(250,665)	(250,433)
Net change in total pension liability	1,568,725	637,729	818,884	169,668	469,128	461,180	465,229	390,397	(39,117)	302,822	191,989
Total pension liability - Beginning	9,398,449	8,760,720	7,941,836	7,772,168	7,303,040	6,841,860	6,376,631	5,986,234	6,025,351	5,722,529	5,530,540
Total pension liability - Ending (a)	$ 10,967,174	$ 9,398,449	$ 8,760,720	$ 7,941,836	$ 7,772,168	$ 7,303,040	$ 6,841,860	$ 6,376,631	$ 5,986,234	$ 6,025,351	$ 5,722,529
Plan fiduciary net position:											
Contributions - employer	$ 274,516	$ 207,735	$ 182,525	$ 1	$ 152,236	$ 159,365	$ 154,676	162,933	$ 163,367	$ 191,698	$ 189,972
Contributions -employee	142,070	135,688	105,913	92,098	89,271	100,554	97,693	93,026	93,009	94,566	94,008
Net investment income	856,318	714,884	451,277	(7,924)	1,551,093	107,386	355,255	367,919	544,101	78,225	191,524
Benefit Payments	(388,000)	(359,712)	(381,129)	(376,296)	(347,929)	(304,382)	(278,795)	(294,117)	(288,221)	(250,665)	(250,443)
Administrative charges	(4,770)	(4,516)	(4,452)	(4,428)	(3,859)	(3,621)	(3,450)	(3,153)	(3,111)	(2,667)	(2,545)
Other	223	156	182	164	146	(128)	(224)	(329)	(486)	(33)	(41)
Net change in plan fiduciary net position	880,357	694,235	354,316	(296,385)	1,440,958	59,174	325,155	326,279	508,659	111,124	222,475
Plan fiduciary net position - beginning	8,027,627	7,333,393	6,979,077	7,119,785	5,678,827	5,619,653	5,294,498	4,968,219	4,459,560	4,348,436	4,125,951
Plan fiduciary net position - ending (b)	$ 8,907,984	$ 8,027,628	$ 7,333,393	$ 6,823,400	$ 7,119,785	$ 5,678,827	$ 5,619,653	$ 5,294,498	$ 4,968,219	$ 4,459,560	$ 4,348,426
Political subdivision's net pension liability ending (a) - (b)	$ 2,059,190	$ 1,370,821	$ 1,427,327	$ 1,118,436	$ 652,383	$ 1,624,213	$ 1,222,207	$ 1,082,133	$ 1,018,015	$ 1,565,791	$ 1,374,103
Plan fiduciary net position as a % of the total pension liability	81.22%	85.41%	83.71%	85.92%	91.61%	77.76%	82.14%	83.03%	82.99%	74.01%	75.99%
Covered payroll	$ 3,105,385	$ 2,618,178	$ 2,272,787	$ 1,948,392	$ 1,854,114	$ 2,049,931	$ 1,913,191	$ 1,881,048	$ 1,886,751	$ 1,915,810	$ 1,892,396
Political subdivision's net pension liability as a % of covered payroll	66.31%	52.36%	62.80%	57.40%	35.19%	79.23%	63.88%	57.53%	53.96%	81.73%	72.61%

APPALACHIAN JUVENILE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
For the Years Ended June 30, 2010 through 2026

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contributions (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2026	$ 274,170	$ 274,170	$ -	$ 3,101,472	8.84%
2025	$ 272,459	$ 272,459	$ -	$ 3,104,124	8.78%
2024	$ 207,731	$ 207,731	$ -	$ 2,618,178	7.93%
2023	$ 182,534	$ 182,534	$ -	$ 2,272,794	8.03%
2022	$ 166,782	$ 166,782	$ -	$ 1,948,392	8.56%
2021	$ 152,235	$ 152,235	$ -	$ 1,854,114	8.21%
2020	$ 159,236	$ 159,236	$ -	$ 2,097,105	7.59%
2019	$ 154,862	$ 154,862	$ -	$ 2,029,628	7.63%
2018	$ 195,649	$ 195,649	$ -	$ 1,913,191	10.23%
2017	$ 195,960	$ 195,960	$ -	$ 1,903,550	10.29%
2016	$ 191,728	$ 191,728	$ -	$ 1,915,810	10.01%

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

Column 1 - Employer contribution rate multiplied by the employer's covered payroll.
Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS Website.
Column 4 - Employer's covered payroll amount for the fiscal year.

Notes to Required Supplementary Information
For the Year Ended June 30, 2026

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2024 valuation were rolled forward to a measurement date of June 30,2025 and were based on the result of an actuarial experience study for the period from July 1, 2020, through June 30,2024. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows.

Non-Metro-Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~ 25% of the way to observed experience, on a liability-weighted basis .
Termination Rates	Moved ~ 25% of the way to observed experience, on a liability-weighted basis .
Disability Rates	Moved ~ 50% of the way to observed experience, on a headcount-weighted basis to maintain margin
Salary Scale	Increase merit & Longevity 50 basis points
Discount Rate	No change

ACCOMPANYING INFORMATION

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF SUPPORT AND REVENUE
Year Ended June 30, 2026

	BUDGET	SECURE	ALTERNATIVES	DRUG COURT	TOTAL
Local revenue					
Juvenile detention	$ 3,734,950	$ 2,862,165	$ 797,800	$ 75,000	$ 3,734,965
Juvenile detention - non-commission	100,000	536,890	-	-	536,890
	3,834,950	3,399,055	797,800	75,000	4,271,855
State support and revenue					
Secure detention	1,094,000	2,146,686	-	-	2,146,686
Non-secure detention	360,000	-	387,821	-	387,821
Less: locality reductions	-	-	-	-	-
Drug Court	1,454,000	2,146,686	387,821	-	2,534,507
Federal support					
JJDP	9,000	525	23,417	-	23,942
USDA funds	67,600	67,349	-	-	67,349
	76,600	67,874	23,417	-	91,291
Fund Balance Transfer from localities	528,625	-	-	28,625	28,625
Loss on disposal of assets	-	(5,818)	-	-	(5,818)
Interest income	150,000	148,518	-	-	148,518
Miscellaneous	55,200	2,502	-	25,000	27,502
	733,825	145,202	-	53,625	198,827
Total support and revenue	$ 6,099,375	$ 5,758,817	$ 1,209,038	$ 128,625	$ 7,096,480

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

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF REVENUE FROM JUVENILE DETENTION
Year Ended June 30, 2026

	SECURE	ALTERNATIVES	DRUG COURT	TOTAL
City of Bristol	$ 291,834	$ 81,346	$ -	$ 373,180
Buchanan County	112,802	31,442	-	144,244
Dickenson County	256,815	71,585	-	328,400
Lee County	337,472	94,068	25,000	456,540
City of Norton	106,749	29,755	-	136,504
Russell County	176,377	49,163	-	225,540
Scott County	373,583	104,133	25,000	502,716
Smyth County	115,398	32,166	-	147,564
Tazewell County	230,652	64,292	-	294,944
Washington County	138,749	38,675	-	177,424
Wise County	721,734	201,175	25,000	947,909
Sub-total	2,862,165	797,800	75,000	3,734,965
Bland County	18,020	-	-	18,020
Brunswick County	11,925	-	-	11,925
Carroll County	134,090	-	-	134,090
Galax City	96,195	-	-	96,195
Grayson County	49,025	-	-	49,025
Greensville County	10,865	-	-	10,865
Roanoke City	4,770	-	-	4,770
Roanoke County	265	-	-	265
Portsmouth City	107,590	-	-	107,590
Suffolk County	5,300	-	-	5,300
Wythe County	98,845	-	-	98,845
Sub-total	536,890	-	-	536,890
Total localities	$ 3,399,055	$ 797,800	$ 75,000	$ 4,271,855
Budget	$ 2,962,150	$ 797,800	$ 75,000	$ 3,834,950

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

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF EXPENSES
Year Ended June 30, 2026

	BUDGET	SECURE	ALTERNATIVES	DRUG COURT	TOTAL
Salaries and wages	$ 3,725,950	$ 2,794,303	$ 684,925	$ 91,710	$ 3,570,938
Payroll tax expense	291,275	203,380	48,434	120	251,934
Employee health, dental insurance	807,250	589,808	152,604	13,212	755,624
Employee disability and life	19,060	6,653	1,403	30	8,085
Employee Retirement benefits	370,170	285,039	71,822	8,269	365,130
Postemployment / retirement benefits (gain)- contra	-	304,926	-	-	304,926
Workman's compensation insurance	29,200	23,348	4,997	637	28,982
Food	121,000	120,984	-	-	120,984
Medical services	38,350	38,314	-	-	38,314
Medical supplies	6,000	1,559	-	-	1,559
Medication	3,500	1,723	-	-	1,723
Ward expenses	15,300	15,295	-	-	15,295
Utilities	62,600	61,579	946	-	62,525
Communications	45,300	33,816	9,348	679	43,843
Office supplies	11,600	4,155	875	83	5,114
Household and cleaning supplies	12,200	12,140	-	-	12,140
Kitchen supplies	16,000	14,456	-	-	14,456
Travel	69,950	2,514	40,237	7,356	50,106
Training	14,950	13,677	83	210	13,971
Commission expense	12,000	10,986	-	-	10,986
Repairs and maintenance - equipment	47,420	19,804	7,520	270	27,594
Detention payments		-	-	-	-
Professional fees	49,400	48,366	541	-	48,907
Drug/alcohol screening	1,050	507	-	17	524
Program services	21,350	6,184	10,501	4,548	21,233
Mental health		-	-	-	-
Security Supplies		-	-	-	-
Insurance expense	23,580	17,603	4,881	354	22,838
Repairs and maintenance-building	83,900	83,859	-	-	83,859
Office space rental	17,000	-	16,176	-	16,176
Electronic monitoring	8,000	-	6,813	-	6,813
Substance abuse testing					-
Depreciation	156,200	122,075	48,408	147	170,630
Total expenses	$ 6,099,375	$ 4,849,185	$ 1,112,275	$ 127,659	$ 6,089,119

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

Olinger & Associates, PLLC
Certified Public Accountants

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

To the Board of Directors
Appalachian Juvenile Commission
Bristol, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Appalachian Juvenile Commission, which comprise the statement of financial position as of June 30, 2026, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 1, 2026.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

This 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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alinger & Associates, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Tennessee
October 1, 2026