

APPALACHIAN JUVENILE COMMISSION

FINANCIAL REPORT

June 30, 2020

APPALACHIAN JUVENILE COMMISSION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Appalachian Juvenile Commission, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 *Specification for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Appalachian Juvenile Commission as of June 30, 2020, 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.

Other Matters

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 inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accompanying Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Accompanying Schedule of Revenue and Support, Schedule of Revenue from Juvenile Detention, and the Schedule of Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The Accompanying Schedules are 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 the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Blackley, Olinger & Associates, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Tennessee
December 9, 2020

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF FINANCIAL POSITION
June 30, 2020

ASSETS

Current Assets	
Cash and cash equivalents	4,086,204
Accounts receivable	63,143
Prepaid expenses	18,641
Deferred Outflows	
Pension Related	159,236
OPEB Related	31,032
Investment - Certificate of Deposits	-
Total Current Assets	<u>4,358,256</u>
Property and equipment, net	<u>1,591,518</u>
Total Assets	<u><u>\$ 5,949,774</u></u>

LIABILITIES

Current Liabilities	
Accounts payable	\$ 20,181
Payroll liabilities	990
Accrued compensated absences and salaries	217,700
Deferred Inflows	
Pension related	33,644
OPEB related	-
Postemployment benefit obligations - Current portion	<u>30,578</u>
Total Current Liabilities	<u>303,093</u>
Long-term Liabilities	
Deferred inflows	
Pension related	(29,276)
OPEB related	-
Net pension liability	1,222,207
Postemployment benefit obligations	<u>688,345</u>
Total Long-term Liabilities	<u>1,881,276</u>
Total Liabilities	<u>2,184,369</u>

NET ASSETS

Without Donor Restriction	<u>3,765,405</u>
Total Liabilities and Net Assets	<u><u>\$ 5,949,774</u></u>

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

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICITONS:

SUPPORT AND REVENUE

Local revenue - juvenile detention	\$ 2,768,077
State revenue - juvenile detention	374,596
State - Commonwealth of Virginia block grant	873,870
Federal funds	47,792
Interest income	56,225
Miscellaneous	<u>41,271</u>

Total Support and Revenue Without Donor Restrictions	4,161,831
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EXPENSES	<u>3,884,472</u>
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Increase in Net Assets Without Donor Restrictions	277,359
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NET ASSETS AT BEGINNING OF YEAR (Restated)	<u>3,488,046</u>
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NET ASSETS AT END OF YEAR	<u><u>\$ 3,765,405</u></u>
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The accompanying notes are an integral part of these financial statements.

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services			Supporting Services			Total Expenses
	Secure	Alternatives	Drug Court	Gen. & Administrative	Fund-raising		
Salaries and wages	\$ 1,370,569	\$ 610,341	\$ 47,085	\$ 281,894	\$ -	\$ 2,309,889	
Payroll tax expense	99,602	42,121	3,579	21,793	-	167,095	
Employee health, dental insurance	381,234	177,624	9,360	63,816	-	632,034	
Employee disability and life	7,136	3,094	254	1,407	-	11,891	
Retirement benefits	120,008	53,506	4,436	25,255	-	203,205	
Postemployment/retirement benefits (gain)- contra	(50,701)	-	-	-	-	(50,701)	
Workman's compensation insurance	16,265	5,585	442	282	-	22,574	
Food	76,732	-	-	-	-	76,732	
Medical services	18,130	-	-	-	-	18,130	
Medical supplies	5,230	-	-	-	-	5,230	
Medications	2,310	-	-	-	-	2,310	
Ward expenses	3,613	-	-	-	-	3,613	
Utilities	46,108	717	-	717	-	47,542	
Communications	30,282	14,564	1,362	1,600	-	47,808	
Office supplies	4,648	1,194	140	2,248	-	8,230	
Household and cleaning supplies	6,550	-	-	-	-	6,550	
Kitchen supplies	12,514	-	-	-	-	12,514	
Travel	4,226	113,141	4,315	-	-	121,682	
Training	591	-	-	-	-	591	
Commission expense	-	-	-	3,112	-	3,112	
Repairs and maintenance - equipment	14,566	4,303	-	-	-	18,869	
Non-capitalized equipment	5,535	84	-	-	-	5,619	
Professional fees	1,176	-	-	21,444	-	22,620	
Drug/alcohol screening	546	-	-	-	-	546	
Program services	-	-	13,946	-	-	13,946	
Dues and professional membership	80	-	-	300	-	380	
Insurance expense	9,071	1,917	147	1,270	-	12,405	
Repairs and maintenance-building	23,073	-	-	-	-	23,073	
Office rental	-	8,944	-	4,400	-	13,344	
Electronic monitoring	-	15,782	-	-	-	15,782	
Depreciation	91,571	5,186	-	-	-	96,757	
Loss on Disposal of asset	11,100	-	-	-	-	11,100	
Total expenses	\$ 2,311,765	\$ 1,058,103	\$ 85,066	\$ 429,538	\$ -	\$ 3,884,472	

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

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets without donor restrictions	\$ 277,359
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	96,757
Loss on Disposal of Asset	11,100
(Increase) decrease in operating assets	
Receivables	(50,623)
Prepaid expense	(17,011)
Deferred outflows	(14,034)
Increase (decrease) in operating liabilities	
Accounts payable	(5,482)
Payroll liabilities	707
Accrued salaries and compensated absences	29,950
Postemployment benefit obligation (Gain)	(171)
Net pension liability and deferred pension inflows	<u>(36,496)</u>
Net cash provided by operating activities	<u>292,056</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investments Proceeds Certificate of Deposit - Long-term	1,000,000
Purchase of property and equipment	<u>(69,014)</u>
Net cash used by investing activities	<u>930,986</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Distribution to localities	<u>(220,000)</u>
Net cash used by financing activities	<u>(220,000)</u>

Net increase (decrease) in cash and cash equivalents	1,003,042
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CASH AND CASH EQUIVALENTS, Beginning	<u>3,083,162</u>
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CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 4,086,204</u></u>
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SUPPLEMENTAL INFORMATION:

Interest paid	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of these financial statements.

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE A. 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 includes 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 Organization 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.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

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, 2020.

Employee Benefits

The cost of employee benefits and compensated absences are accrued as vested to the employee. The Commission does not maintain any unfunded retirement plans. The postemployment and postretirement health benefits are unfunded; thus, no plan assets are set aside for funding.

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.

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020, consisted of the following:

Land	\$ 111,714
Building and improvements	3,134,390
Equipment & vehicles	<u>552,535</u>
	3,798,639
Less accumulated depreciation	<u>2,207,121</u>
Total Property and Equipment	<u>\$ 1,591,518</u>

Depreciation expense for the current period is \$96,757

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 \$873,870 in Virginia block grant funds and \$362,821 in Juvenile Community Crime Control Act grant funds for the year ended June 30, 2020. 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. INVESTMENT - CERTIFICATE OF DEPOSITS

On September 29, 2016, the Commission invested in a \$1,000,000 three-year public fund certificate of deposits that matures September 26, 2019. The annual percentage yield rate is .80%. The certificates of deposit have been issued through CDARS (Certificate Deposit Account Register Service) by one or more FDIC-insured depository institutions. The CD matured on September 26, 2019 and the funds were transferred to the Capital Replace - LGIP account.

NOTE 6. 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 \$220,000 to the localities for fiscal year 2019.

Net Position, July 1, 2019, as previously stated	\$ 3,708,046
Localities Funding Distributions	<u>(220,000)</u>
Net Position, July 1, 2019, restated	<u>\$ 3,488,046</u>

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 7. SUBSEQUENT EVENT

Subsequent events have been evaluated through December 09, 2020, which is the date the financial statements were available to be issued.

On October 30, 2020, the commission sold the Lebanon Group Home property for \$185,000.

NOTE 8. 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 terminates on June 30, 2019. The Commission may renew the lease for a one year option for three years. 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 three year period based upon the lease agreement are as follows:

Schedule of Future Lease Payments:

<u>Fiscal Year Ending</u>	<u>Basic Rate</u>	<u>Plus Additional Rate</u>
June 30, 2021	\$13,344	Plus 27% of shared utility expense
June 30, 2022	\$13,344	Plus 27% of shared utility expenses
June 30, 2023	\$13,344	Plus 27% of shared utility expenses

Office space rental expense (including 27% shared utility expenses) for June 30, 2020 was \$13,344.

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

NOTE 9. 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:

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.
Benefits cease 5 years after date of retirement and are capped at a maximum of \$500 per month.

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

Eligibility	Employees are eligible for benefits at a minimum of age 50 with 20 years of service.		
Benefit Cost Sharing	Employer's contribution varies according to service at retirement and is outlined as follows: i) 20 years of service - 60% benefit. ii) 25 years of service - 80% benefit. iii) 30 years of service - 100% benefit.		
Spouse and Surviving Spouse Benefits:	There are no spousal or surviving spouse benefits.		
Annual Medical Premiums:	As of July 1, 2019		
	Pre-65	\$9,360	Post-65 \$2,412

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, 2020:

	7/1/2019 to 06/30/2020	7/1/2018 to 06/30/2019
A. Change in accumulated postretirement benefit obligation		
1. Postretirement benefit obligation at beginning of year		
a. Actives not fully eligible to retire	\$ 304,761	\$ 227,718
b. Actives fully eligible to retire	128,944	153,624
c. Retirees	27,996	28,146
d. Total	\$ 461,701	\$ 409,488
2. Service cost	\$ 23,180	\$ 20,444
3. Interest cost	\$ 14,557	\$ 15,709
4. Amendments	-	-
5. Actuarial (gain) loss	\$ (20,106)	\$ 34,183
6. Benefits paid	\$ (19,210)	\$ (18,123)
7. Postretirement benefit obligation at end of year		
a. Actives not fully eligible to retire	\$ 294,961	\$ 304,761
b. Actives fully eligible to retire	150,980	128,944
c. Retirees	14,181	27,966
d. Total	<u>\$ 460,122</u>	<u>\$ 461,671</u>
	7/1/2019 to 06/30/2020	7/1/2018 to 06/30/2019
B. Change in plan assets		
1. Fair value of plan assets at beginning of year	\$ -	\$ -
2. Actual return on plan assets	-	-
3. Employer contribution	19,210	18,123
4. Benefits paid	(19,210)	(18,123)
5. Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

C. Funded status	6/30/2020	6/30/2019
1. Postretirement benefit obligation at end of year	\$ 460,122	\$ 461,701
2. Fair value of plan assets at end of year	-	-
3. Funded status end of year	<u>\$ 460,122</u>	<u>\$ 461,701</u>
4. Current liability	\$ 21,560	\$ 19,210
5. Non-current liability	438,562	442,491
6. Total	<u>\$ 460,122</u>	<u>\$ 461,701</u>
D. Components of the net periodic postretirement benefit cost	7/1/2019 to 06/30/2020	7/1/2018 to 06/30/2019
1. Service cost	\$ 23,180	\$ 20,444
2. Interest cost	14,557	15,709
3. Return on plan assets	-	-
4. Amortization of transition obligation	-	-
5. Amortization of prior service cost	-	-
6. Amortization of actuarial (gain) loss	2,628	358
7. Total	<u>\$ 40,365</u>	<u>\$ 36,511</u>
E. OPEB changes other than net periodic postretirement benefit cost	7/1/2019 to 06/30/2020	7/1/2018 to 06/30/2019
1. New prior service cost	\$ -	\$ -
2. New actuarial (gain) loss	(20,106)	34,183
3. Amortization of unrecognized amounts	(2,628)	(358)
4. Total	<u>\$ (22,734)</u>	<u>\$ 33,825</u>
F. Unrecognized amounts and amortization amounts in the following year	6/30/2020	6/30/2019
1. Unrecognized amounts		
a. Transition obligation	\$ -	\$ -
b. Prior service cost	-	-
c. Net actuarial (gain) / loss	50,819	73,553
d. Total	<u>\$ 50,819</u>	<u>\$ 73,553</u>
2. Amortization amounts in the following year (estimate)		
a. Transition obligation	\$ -	\$ -
b. Prior service cost	-	-
c. Net actuarial (gain) / loss	485	2,760
d. Total	<u>\$ 485</u>	<u>\$ 2,760</u>

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

G. Assumptions and effects

	6/30/2020	6/30/2019
1. Actuarial assumptions		
a. Medical / drug trend rate next year	5.00%	5.50%
b. Ultimate trend rate	4.50%	4.50%
c. Year ultimate trend rate is achieved	2021	2021
d. Discount rate used to value end of year accumulated postretirement benefit obligations	2.03%	3.22%
e. Discount rate used to value net periodic postretirement benefit cost	3.22%	3.87%
2. Effect of a 1% increase in health care cost trend rate on:		
a. Interest cost plus service cost	\$ 2,118	\$ 2,979
b. Accumulated postretirement benefit obligation	\$ 24,837	\$ 29,389
3. Effect of a 1% decrease in health care cost trend rate on:		
a. Interest cost plus service cost	\$ (1,844)	\$ (2,578)
b. Accumulated postretirement benefit obligation	\$ (21,899)	\$ (25,806)
4. Measurement date	6/30/2020	6/30/2019

H. Estimated future benefit payments

Benefit payments are shown net of employee contribution.

<u>Year Beginning July 1st:</u>	<u>Estimated Employer Payment</u>
2020	\$ 21,560
2021	\$ 24,742
2022	\$ 29,660
2023	\$ 32,529
2024	\$ 37,941
2025 - 2029	\$ 113,077

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.

2020	\$ <u>21,560</u>
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The total postemployment benefit obligation is reflected on the Statement of Financial Position as follows:

Postemployment benefit obligation - current	\$ 21,560
Postemployment benefit obligation - long term	<u>438,562</u>
	<u>\$ 460,122</u>

APPALACHIAN JUVENILE COMMISSION NOTES TO FINANCIAL STATEMENTS

NOTE 10. HEALTH INSURANCE CREDIT (HIC) OPEB PLAN

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 of participating are enrolled automatically upon employment. They include:
	<ul style="list-style-type: none"> 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:
	<ul style="list-style-type: none"> At Retirement – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. Disability Retirement – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45 per month.

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 10. 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, 2018 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	17
Inactive members:	
Vested inactive members	0
Non-vested Inactive members	0
Inactive members active elsewhere in VRS	17
Active members	51
Total covered employees	68

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, 2020 was .43% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 \$9,018 and \$8,727 for the years ended June 30, 2020 and

Net HIC OPEB Liability

The Appalachian Juvenile Commission's net Health Insurance Credit OPEB liability was measured as of June 30, 2019. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

**APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 10. HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (Continued)

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5 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*

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

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 10. HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 10. HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (Continued)

Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decreased From 7.00% to 6.75%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased From 7.00% to 6.75%

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:

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 10. HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (Continued)

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

* Expected arithmetic nominal return

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

Discount Rate

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

Schedule of Changes in Net HIC OPEB Liability:

	Total HIC OPEB Liability	Increase (Decrease) Plan Fiduciary Net Position	Net HIC OPEB Liability
Balances at June 30, 2018	\$ 116,232	\$ 25,256	\$ 90,976
Changes for the year:			
Service cost	2,287	-	2,287
Interest	7,856	-	7,856
Benefit changes	-	-	-
Differences between expected and actual experience	(3,000)	-	(3,000)
Assumption changes	2,747	-	2,747
Contributions - employer	-	8,716	(8,716)
Net investment income	-	1,648	(1,648)
Benefit payments	(7,996)	(7,996)	-
Administrative expenses	-	(37)	37
Other changes	-	(2)	2
Net changes	<u>1,894</u>	<u>2,329</u>	<u>(435)</u>
Balances at June 30, 2019	<u>\$ 118,126</u>	<u>\$ 27,585</u>	<u>\$ 90,541</u>

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 10. HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (Continued)

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

The following presents the total OPEB liability of the Commission, as well as what the total OPEB liability would be if were calculated using a 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%)
Plan's Net OPEB Liability	\$ 102,713	\$ 90,541	\$ 80,168

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, 2020, the Commission recognized OPEB expense \$8,596. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of
Differences between expected and actual experience	\$ 3,981	\$ 2,552
Change in assumptions	2,336	1,644
Net differences between projected and actual earnings on HIC OPEB Plan investments	115	419
Employer contributions subsequent to the measurement date*	9,018	-
Total	\$ 15,450	\$ 4,615

\$9,018 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year ended June 30:	
Year 1 (2021)	\$ 206
Year 2 (2022)	\$ 204
Year 3 (2023)	\$ 407
Year 4 (2024)	\$ 499
Year 5 (2025)	\$ 532
Thereafter	\$ (31)

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

APPALACHIAN JUVENILE COMMISSION NOTES TO FINANCIAL STATEMENTS

NOTE 11. 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 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 OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>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:</p> <ul style="list-style-type: none"> <input type="checkbox"/> City of Richmond <input type="checkbox"/> City of Portsmouth <input type="checkbox"/> City of Roanoke <input type="checkbox"/> City of Norfolk <input type="checkbox"/> Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 11. GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB) PLAN (Continued)

<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Natural Death Benefit – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled. <input type="checkbox"/> Accidental Death Benefit – The accidental death benefit is double the natural death benefit. <input type="checkbox"/> Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
<p>Reduction in benefit Amounts</p> <p>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.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>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. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,463 effective June 30, 2020.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$10,905 and \$10,540 for the years ended June 30, 2020 and June 30, 2019, respectively.

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 11. 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, 2020, the Commission reported a liability of \$168,260 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was .01034% as compared to .01006% at June 30, 2018.

For the year ended June 30, 2020, the Commission recognized GLI OPEB expense of \$3,140. 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.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,190	\$ 2,183
Net differences between projected and actual earnings on HIC OPEB Plan investments	-	3,456
Change in assumptions	10,623	5,074
Change in proportionate share Employer contributions subsequent to the measurement date	3,735	5,543
	<u>10,905</u>	<u>-</u>
Total	<u>\$ 36,453</u>	<u>\$ 16,256</u>

\$10,905 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30:		
Year 1 (2021)	\$	(153)
Year 2 (2022)	\$	(153)
Year 3 (2023)	\$	1,311
Year 4 (2024)	\$	3,142
Year 5 (2025)	\$	3,953
Thereafter	\$	1,192

APPALACHIAN JUVENILE COMMISSION NOTES TO FINANCIAL STATEMENTS

NOTE 11. 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, 2018 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5 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
VaLORs employees	3.5 percent – 4.75 percent
JRS employees	4.5 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*

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

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 11. GROUP LIFE INSURANCE (GLI) PROGRAM OPEB PLAN (Continued)

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

APPALACHIAN JUVENILE COMMISSION NOTES TO FINANCIAL STATEMENTS

NOTE 11. GROUP LIFE INSURANCE (GLI) PROGRAM OPEB PLAN (Continued)

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 11. GROUP LIFE INSURANCE (GLI) PROGRAM OPEB PLAN (Continued)

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

Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 11. GROUP LIFE INSURANCE (GLI) PROGRAM OPEB PLAN (Continued)

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 11. GROUP LIFE INSURANCE (GLI) PROGRAM OPEB PLAN (Continued)

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

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decreased from 7.00% to 6.75%

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 11. GROUP LIFE INSURANCE (GLI) PROGRAM OPEB PLAN (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased from 7.00% to 6.75%

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, 2019, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

Group Life Insurance OPEB Program

Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
Employers' Net GLI OPEB Liability (Asset)	<u><u>1,627,266</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

APPALACHIAN JUVENILE COMMISSION NOTES TO FINANCIAL STATEMENTS

NOTE 11. GROUP LIFE INSURANCE (GLI) PROGRAM OPEB PLAN (Continued)

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

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

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

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 11. 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 member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 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	\$ 221,047	\$ 168,260	\$ 125,451

Group Life Insurance Program Fiduciary Net Position

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

NOTES TO FINANCIAL STATEMENTS

NOTE 12. PENSION PLANS

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 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:

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. 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.	Plan 2 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.	<p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014, are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service 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.

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. PENSION PLANS (VRS) (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>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.</p>	<p>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.</p> <p>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</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • 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 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. PENSION PLANS (VRS) (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>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.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable 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 creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable 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 creditable service the member was granted. A member's total creditable service 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. <u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. PENSION PLANS (VRS) (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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 creditable service. 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.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> 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 creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Define Contributions Component:</u> 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 or leaving covered employment, a member is eligible to withdraw a percentage of employer contribution to the defined contribution component of the plan, base on service.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70 1/2.</p>

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. PENSION PLANS (VRS) (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The Basis Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basis Benefit.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1. <u>Defined Contribution Component:</u> 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 creditable service 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 <u>Defined Benefit Component:</u> 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. <u>Defined Contribution Component:</u> Not applicable.

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. 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 <u>Defined Benefit Component:</u> VRS Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> 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 creditable service or age 50 with a least 30 years of creditable 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 creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> 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 creditable service or age 50 with a least 10 years of creditable service. Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. PENSION PLANS (VRS) (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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%.</p> <p>Eligibility: For members who retire with a unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1, after one calendar year following the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>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%.</p> <p>Eligibility: Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. Eligibility: Same as Plan 1 and Plan 2</p>
<p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. PENSION PLANS (VRS) (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><u>Exceptions to COLA Effective Date:</u> (Continued)</p> <ul style="list-style-type: none"> • 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. <p>The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>		
<p>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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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 and 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.</p>

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. PENSION PLANS (VRS) (Continued)

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. When buying service, members must purchase their most recent period of service first. 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.
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Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	23
Inactive members:	
Vested inactive members	10
Non-vested inactive members	12
Inactive members active elsewhere in VRS	10
Total inactive members	32
Active members	51
Total covered employees	106

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.

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. PENSION PLANS (VRS) (Continued)

Contributions (Continued)

Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The political subdivision's contractually required contribution rate for the year ended June 30, 2020 was 7.95 % of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018.

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 political subdivision were \$159,236 and \$154,862 for the years ended June 30, 2020 and June 30, 2019, respectively.

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 political subdivisions, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

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, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. PENSION PLANS (VRS) (Continued)

Actuarial Assumptions - General Employees (Continued)

Inflation	2.5% (Plan 1) ; 2.25%(Plan 2 & Hybrid)
Salary increases, including Inflation	3.5 % - 5.35%
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation*

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

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement

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

Post-Disablement:

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

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

15% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement

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

Post-Disablement:

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

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. PENSION PLANS (VRS) (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of services
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of services
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public	6.00%	3.52%	0.21%
PIP - Private Investment	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.63%

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. PENSION PLANS (VRS) (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY2012 or 90% of the actuarially determined employer contribution rate from June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 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.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Total Pension Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2018	\$ 6,376,631	\$ 5,294,498	\$ 1,082,133
Change for the year:			
Service Cost	176,567	-	176,567
Interest	436,606	-	436,606
Changes in assumptions	212,878		212,878
Differences between expected and actual experience	(82,027)	-	(82,027)
Contributions - employer	-	154,676	(154,676)
Contributions - employee	-	97,693	(97,693)
Net investment income	-	355,255	(355,255)
Benefit payments, including refunds of employee contributions	(273,200)	(278,795)	5,595
Administrative expenses	-	(3,450)	3,450
Other changes	(5,595)	(224)	(5,371)
Net changes	465,229	325,155	140,074
Balance at June 30, 2019	\$ 6,841,860	\$ 5,619,653	\$ 1,222,207

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12. PENSION PLANS (VRS) (Continued)

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Political Subdivision's Plan's Net Pension Liability	<u>\$ 2,189,128</u>	<u>\$ 1,222,207</u>	<u>\$ 459,940</u>

For the year ended June 30, 2020, the political subdivision recognized pension expense of \$118,180. At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,974	\$ 138,781
Change in assumptions	162,907	33,147
Net difference between projected and actual earnings on plan investments	56,910	106,231
Employer contributions subsequent to the measurement date	159,236	-
Total	<u>\$ 433,027</u>	<u>\$ 278,159</u>

\$159,236 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, 2021. 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	
2021	\$ (33,644)
2022	\$ (17,249)
2023	\$ 35,676
2024	\$ 10,849
2025	\$ -
Thereafter	\$ -

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 13. 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	Full-time equivalent
Dues and professional membership	Time and effort
Other program expenses	Time and effort

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 liquidity at year end to support the ongoing activities is as follows:

	2020
Financial assets at year-end	\$ 4,149,347
Less those unavailable for general expenditures within one year.	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,149,347</u>

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

APPALACHIAN JUVENILE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

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

	<u>2019</u>	<u>2018</u>
Service Cost	\$ 2,287	\$ 2,237
Interest	7,856	7,363
Changes of benefit terms	-	-
Differences between expected and actual experience	(3,000)	5,687
Changes in assumptions	2,747	-
Benefit Payments	(7,996)	(8,477)
Net change in total HIC OPEB liability	1,894	6,810
Total HIC OPEB liability - beginning	116,232	109,422
Total HIC OPEB liability - ending (a)	<u>\$ 118,126</u>	<u>\$ 116,232</u>
Plan fiduciary net position		
Contributions- Employer	\$ 8,716	\$ 7,653
Net investment income	1,648	1,748
Benefit Payments	(7,996)	(8,477)
Administrative expense	(37)	(40)
Other	<u>(2)</u>	<u>(129)</u>
Net change in plan fiduciary net position	2,329	755
Plan fiduciary net position - beginning	25,256	24,534
Plan fiduciary net position - ending (b)	<u>\$ 27,585</u>	<u>\$ 25,289</u>
Political subdivision's net HIC OPEB liability - ending (a) - (b)	<u>\$ 90,541</u>	<u>\$ 90,943</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	30.47%	27.81%
Covered payroll	\$ 2,049,931	\$ 1,913,191
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	4.42%	4.75%

Schedule of Employer HIC Contributions
For the Years Ended 2010 and 2020

	Contractually Required Contributions	Contributions in Relation to Contractually	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered
Date	(1)	(2)	(3)	(4)	(5)
2020	\$ 8,716	\$ 8,716	\$ -	\$ 2,049,931	0.43%
2019	\$ 7,653	\$ 7,653	\$ -	\$ 1,913,191	0.40%
2018	\$ 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 – Actual employer contribution remitted to VRS

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, 2020

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 following changes in actuarial assumptions were made effective June 30, 2018 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

APPALACHIAN JUVENILE COMMISSION
Notes to Required Supplementary Information
For the Year Ended June 30, 2020

**Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program
For the Measurement Dates of June 30, 2019, 2018 and 2017**

	2020	2019	2018
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.01034%	0.01033%	0.01066%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 168,260	\$ 155,450	\$ 168,260
Employer's Covered Payroll	\$ 2,049,931	\$ 1,913,191	\$ 1,881,048
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.2081%	8.7947%	8.9450%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, there are only three years available. However, additional years will be included as they become available.

Schedule of Employer GLI Contributions
For the Years Ended June 30, 2016 through 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contribution as a % of Covered Payroll
	(1)	(2)	(3)	(4)	(5)
2020	\$ 10,905	\$ 10,905	\$ -	\$ 2,097,099	0.5200%
2019	\$ 10,540	\$ 10,540	\$ -	\$ 2,049,931	0.5142%
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 – Actual employer contribution remitted to VRS
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, 2020

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 following changes in actuarial assumptions were made effective June 30, 2018 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020 and reduced margin for future improvement in accordance with \experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

APPALACHIAN JUVENILE COMMISSION
Notes to Required Supplementary Information
For the Year Ended June 30, 2020

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table -- RP- 2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table -- RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

APPALACHIAN JUVENILE COMMISSION
Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

**APPALACHIAN JUVENILE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Changes in the Net Pension Liability and Related Ratios

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total pension liability					
Service Cost	\$ 176,567	174,244	\$ 187,256	\$ 184,496	\$ 185,069
Interest	436,606	408,742	411,687	391,804	378,373
Changes of benefit terms		-	-	-	-
Changes in assumptions	212,878	-	(110,235)	-	-
Differences between expected and actual experience	(82,027)	101,528	(239,604)	(22,813)	(121,020)
Benefit Payments, including refunds of employee contributions	(278,795)	(294,117)	(288,221)	(250,665)	(250,433)
Net change in total pension liability	465,229	390,397	(39,117)	302,822	191,989
Total pension liability - beginning	6,376,631	5,986,234	6,025,351	5,722,529	5,530,540
Total pension liability - Ending (a)	\$ 6,841,860	\$ 6,376,631	\$ 5,986,234	\$ 6,025,351	\$ 5,722,529
Plan fiduciary net position					
Contributions - employer	\$ 154,676	162,933	\$ 163,367	\$ 191,698	\$ 189,972
Contributions -employee	97,693	93,026	93,009	94,566	94,008
Net investment income	355,255	367,919	544,101	78,225	191,524
Benefit Payments, including refunds of employee contributions	(278,795)	(294,117)	(288,221)	(250,665)	(250,443)
Administrative expense	(3,450)	(3,153)	(3,111)	(2,667)	(2,545)
Other	(224)	(329)	(486)	(33)	(41)
Net change in plan fiduciary net position	325,155	326,279	508,659	111,124	222,475
Plan fiduciary net position - beginning	5,294,498	4,968,219	4,459,560	4,348,436	4,125,951
Plan fiduciary net position - ending (b)	\$ 5,619,653	\$ 5,294,498	\$ 4,968,219	\$ 4,459,560	\$ 4,348,426
Political subdivision's net pension liability ending (a) - (b)	\$ 1,222,207	\$ 1,082,133	\$ 1,018,015	\$ 1,565,791	\$ 1,374,103
Plan fiduciary net position as a percentage of the total pension liability	82.14%	83.03%	82.99%	74.01%	75.99%
Covered-employee payroll	\$ 2,049,931	\$ 1,913,191	\$ 1,881,048	\$ 1,886,751	\$ 1,915,810
Political subdivision's net pension liability as a percentage of covered-	59.62%	56.56%	54.12%	82.99%	71.72%

**APPALACHIAN JUVENILE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS						
For the Years Ended June 30, 2010 through 2020						
Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll	
	(1)	(2)	(3)	(4)	(5)	
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%	
2015	\$ 189,915	\$ 189,915	\$ -	\$ 1,892,396	10.04%	
2014	\$ 237,739	\$ 237,739	\$ -	\$ 1,894,219	12.55%	
2013	\$ 221,670	\$ 221,670	\$ -	\$ 1,774,328	12.49%	
2012	\$ 228,672	\$ 228,672	\$ -	\$ 1,655,568	13.81%	
2011	\$ 257,607	\$ 257,607	\$ -	\$ 1,829,736	14.08%	
2010	\$ 254,500	\$ 254,500	\$ -	\$ 1,827,936	13.92%	

Notes to Required Supplementary Information

For the Year Ended June 30, 2020

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 following changes in actuarial assumptions were made effective June 30, 2018 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of services
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of services
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

ACCOMPANYING INFORMATION

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF SUPPORT AND REVENUE
Year Ended June 30, 2020

	BUDGET	SECURE	ALTERNATIVES	DRUG COURT	TOTAL
Local revenue					
Juvenile detention	\$ 2,456,550	\$ 1,766,177	\$ 706,900	\$ 75,000	\$ 2,548,077
Fund Balance Transfer					
from localities	220,000	220,000	-	-	220,000
	<u>\$ 2,676,550</u>	<u>\$ 1,986,177</u>	<u>\$ 706,900</u>	<u>\$ 75,000</u>	<u>\$ 2,768,077</u>
State support and revenue					
Secure detention	850,000	873,870	-	-	873,870
Non-secure detention	360,000	-	362,821	-	362,821
Drug Court	-	-	-	11,775	11,775
	<u>1,210,000</u>	<u>873,870</u>	<u>362,821</u>	<u>11,775</u>	<u>1,248,466</u>
Federal support					
E-Rate funds	3,500	-	-	-	-
USDA funds	40,000	30,849	-	-	30,849
Other grants and funding	-	16,943	-	-	16,943
	<u>43,500</u>	<u>47,792</u>	<u>-</u>	<u>-</u>	<u>47,792</u>
Interest income	60,000	56,225	-	-	56,225
Miscellaneous	33,200	16,170	100	25,000	41,270
	<u>93,200</u>	<u>72,395</u>	<u>100</u>	<u>25,000</u>	<u>97,495</u>
Total support and revenue	<u>\$ 4,023,250</u>	<u>\$ 2,980,234</u>	<u>\$ 1,069,821</u>	<u>\$ 111,775</u>	<u>\$ 4,161,830</u>

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

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF REVENUE FROM JUVENILE DETENTION
Year Ended June 30, 2020

	SECURE	ALTERNATIVES	DRUG COURT	TOTAL
City of Bristol	\$ 133,072	\$ 56,172	\$ -	\$ 189,244
Buchanan County	148,612	62,732	-	211,344
Dickenson County	92,746	39,150	-	131,896
Lee County	162,010	68,386	25,000	255,396
City of Norton	46,526	19,638	-	66,164
Russell County	144,056	60,808	-	204,864
Scott County	124,898	52,722	25,000	202,620
Smyth County	128,918	54,418	-	183,336
Tazewell County	185,454	78,282	-	263,736
Washington County	166,160	70,140	-	236,300
Wise County	342,200	144,452	25,000	511,652
Bristol VA Schools		-	-	-
Carroll County	31,325	-	-	31,325
Amherst	175	-	-	175
Giles County		-	-	-
Grayson County	3,675	-	-	3,675
Henry County		-	-	-
Wythe County	56,350	-	-	56,350
Total localities	1,766,177	706,900	75,000	2,548,077
Commonwealth of Virginia	-	-	-	-
Total localities and state	<u>\$ 1,766,177</u>	<u>\$ 706,900</u>	<u>\$ 75,000</u>	<u>\$ 2,548,077</u>

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

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF EXPENSES
Year Ended June 30, 2020

	BUDGET	SECURE	ALTERNATIVES	DRUG COURT	TOTAL
Salaries and wages	\$ 2,330,600	\$ 1,652,463	\$ 610,341	\$ 47,085	\$ 2,309,889
Payroll tax expense	173,900	121,395	42,121	3,579	167,095
Employee health, dental insurance	646,450	445,050	177,624	9,360	632,034
Employee disability and life	13,100	8,543	3,094	254	11,891
Employee Retirement benefits	203,400	145,263	53,506	4,436	203,205
Postemployment / retirement benefits (gain)- contra	-	(50,701)	-	-	(50,701)
Workman's compensation insurance	23,150	16,547	5,585	442	22,574
Food	79,450	76,732	-	-	76,732
Medical services	18,150	18,130	-	-	18,130
Medical supplies	5,250	5,230	-	-	5,230
Medication	5,000	2,310	-	-	2,310
Ward expenses	4,000	3,613	-	-	3,613
Recreational supplies	-	-	-	-	-
Utilities	48,000	46,825	717	-	47,542
Communications	48,300	31,882	14,564	1,362	47,808
Educational supplies	750	-	-	-	-
Office supplies	16,950	6,896	1,194	140	8,230
Household and cleaning supplies	6,550	6,550	-	-	6,550
Kitchen supplies	16,000	12,514	-	-	12,514
Travel	128,150	4,226	113,141	4,315	121,682
Training	5,250	591	-	-	591
Commission expense	3,250	3,112	-	-	3,112
Repairs and maintenance - equipment	21,000	14,566	4,303	-	18,869
Non-capitalized equipment	11,500	5,535	84	-	5,619
Detention payments-Secure	-	-	-	-	-
Professional fees	26,100	22,620	-	-	22,620
Drug/alcohol screening	800	546	-	-	546

(Continued)

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

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF EXPENSES
Year Ended June 30, 2020

	BUDGET	SECURE	ALTERNATIVES	DRUG COURT	TOTAL
Program services	15,000	-	-	13,946	13,946
Mental health	-	-	-	-	-
Dues and professional membership	500	380	-	-	380
Security Supplies	200	-	-	-	-
Insurance expense	13,500	10,341	1,917	147	12,405
Repairs and maintenance-building	25,000	23,073	-	-	23,073
Office space rental	15,000	-	13,344	-	13,344
Electronic monitoring	16,000	-	15,782	-	15,782
Substance abuse testing	-	-	-	-	-
Depreciation	103,000	91,571	5,186	-	96,757
Loss on Disposal of asset	-	11,100	-	-	11,100
Total expenses	<u>\$ 4,023,250</u>	<u>\$ 2,736,903</u>	<u>\$ 1,062,503</u>	<u>\$ 85,066</u>	<u>\$ 3,884,472</u>

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

COMPLIANCE



Blackley, Olinger & Associates, PLLC

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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, 2020, 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 December 9, 2020

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.

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.

Blackley, Olinga & Associates, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Tennessee
December 9, 2020