



Virginia Peninsula Regional Jail Authority

Basic Financial Statements and Supplementary Information

(With Report of Independent Auditor Thereon)

As of and for Year Ended June 30, 2025

Virginia Peninsula Regional Jail Authority

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Report of Independent Auditor

To the Board of Directors
Virginia Peninsula Regional Jail Authority
Williamsburg, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Virginia Peninsula Regional Jail Authority (the "Authority"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Authority, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cherry Bekaert LLP".

Richmond, Virginia
October 24, 2025

Virginia Peninsula Regional Jail Authority
Management's Discussion and Analysis
June 30, 2025

This section of the Virginia Peninsula Regional Jail Authority's (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance as of and for the fiscal year ended June 30, 2025.

Financial Highlights

The Authority's net position increased by \$1,627,402 for fiscal year 2025. The increase was primarily due to higher operating revenue from the Commonwealth and fees from the member jurisdictions. The Authority also experienced an increase in non-operating revenue of \$479,421 primarily due to interest income earned on an investment account.

The Authority restated its beginning net position by (\$299,198) to reflect adjustments related to the adoption of a new accounting standard on compensated absences. Additional information on this restatement can be found in Notes 1 and 11 to the basic financial statements. Prior year information, to the extent presented here, is provided for comparative purposes only.

Overview of the Financial Statements

This report has two components - Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements. The basic financial statements are comprised of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and notes to the financial statements.

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

The Statement of Net Position presents information on the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. However, it is also important to consider other nonfinancial factors, such as changes in economic conditions, population, and service area growth, and new or changed legislation.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Notes to the financial statements are an integral part of the statements and should be read in conjunction with the financial statements and the Management's Discussion and Analysis.

The Authority is also responsible for the assets of an Inmate Trust Fund, and to ensure that the assets reported in this fund are used for their intended purposes. This fiduciary activity is reported as a custodial fund in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. This activity is excluded from the Authority's other financial statements because the Authority cannot use the Inmate Trust Fund's assets to finance its operations.

Virginia Peninsula Regional Jail Authority
Management's Discussion and Analysis
June 30, 2025

Financial Analysis

Statements of Net Position

| | <u>6/30/2025</u> | <u>6/30/2024</u> |
|--|----------------------|----------------------|
| Current and other assets | \$ 12,281,609 | \$ 10,567,316 |
| Capital assets, net | 11,644,301 | 12,422,767 |
| Net pension asset | 6,954,138 | 6,652,572 |
| Total assets | <u>30,880,048</u> | <u>29,642,655</u> |
| Deferred outflows of resources | 592,594 | 357,623 |
| Total assets and deferred outflows of resources | <u>\$ 31,472,642</u> | <u>\$ 30,000,278</u> |
| Current liabilities | \$ 259,990 | \$ 434,491 |
| Long-term liabilities | 2,357,110 | 2,010,084 |
| Total liabilities | <u>2,617,100</u> | <u>2,444,575</u> |
| Deferred inflows of resources | 869,836 | 898,201 |
| Net position: | | |
| Net investment in capital assets | 10,960,255 | 11,543,830 |
| Restricted | 6,954,138 | 6,652,572 |
| Unrestricted | 10,071,313 | 8,461,100 |
| Total net position | <u>27,985,706</u> | <u>26,657,502</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 31,472,642</u> | <u>\$ 30,000,278</u> |

Total assets increased by \$1,237,393 from fiscal year 2024, primarily due to an increase in the Authority's net pension asset and current assets. Total liabilities experienced a slight increase of \$172,525 primarily due to an increase in the compensated absences total balance. Total net position was \$27,985,706 and \$26,657,502 at June 30, 2025, and 2024, respectively.

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

| | <u>6/30/2025</u> | <u>6/30/2024</u> |
|--|----------------------|----------------------|
| Operating revenues: | | |
| Fees from member jurisdictions | \$ 7,536,043 | \$ 7,003,089 |
| Commonwealth of Virginia | 6,639,287 | 6,366,248 |
| Federal government | 130,106 | 104,879 |
| Other | 1,174,028 | 1,153,557 |
| Total operating revenues | <u>15,479,464</u> | <u>14,627,773</u> |
| Operating expenses: | | |
| Salaries and benefits | 7,856,006 | 6,703,642 |
| Contractual services | 2,243,822 | 2,360,991 |
| Depreciation and amortization | 965,979 | 945,421 |
| Other | 3,176,413 | 2,877,564 |
| Total operating expenses | <u>14,242,220</u> | <u>12,887,618</u> |
| Operating income | <u>1,237,244</u> | <u>1,740,155</u> |
| Nonoperating revenues (expenses): | | |
| Interest income | 393,668 | 345,110 |
| Interest expense | (18,839) | (22,928) |
| Gain (loss) on disposal of capital assets | 15,329 | (411,445) |
| Net nonoperating revenues (expenses) | <u>390,158</u> | <u>(89,263)</u> |
| Change in net position | 1,627,402 | 1,650,892 |
| Net position, beginning of year, as restated | 26,358,304 | 25,006,610 |
| Net position, end of year | <u>\$ 27,985,706</u> | <u>\$ 26,657,502</u> |

Operating revenues increased by \$851,691, primarily due to increased fees from the member jurisdictions and in state (Commonwealth of Virginia) revenue. Operating expenses increased by \$1,354,602 primarily due to increased salary expenses and for the implementation of GASB 101. The change in net position was \$1,627,402 for 2025.

Virginia Peninsula Regional Jail Authority
Management's Discussion and Analysis
June 30, 2025

Capital Assets

| | <u>6/30/2025</u> | <u>6/30/2024</u> |
|----------------------------|-----------------------------|-----------------------------|
| Nondepreciable | \$ 881,571 | \$ 881,571 |
| Depreciable, net | <u>10,762,730</u> | <u>11,541,196</u> |
| Capital assets, net | <u>\$ 11,644,301</u> | <u>\$ 12,422,767</u> |

During fiscal year 2025, the Authority purchased two transit vans for prisoners, a server, and a new window for the Magistrate's office. The Authority disposed of three vehicles and a clothes dryer. The net effect of this activity and depreciation expense collectively comprises the decrease of (\$778,466) in capital assets from 2024.

Additional information on capital assets including leased assets, can be found in Notes 1, 3, and 7 to the basic financial statements.

Long-Term Debt

Below is a summary of the Authority's long-term debt as of June 30, 2025, and 2024, respectively.

| | <u>Balance 6/30/2025</u> | <u>Balance 6/30/2024</u> |
|---------------------------|------------------------------|------------------------------|
| Compensated absences | \$ 1,254,200 | \$ 715,871 |
| Financed purchase | 680,428 | 873,335 |
| Retiree healthcare OPEB | 203,268 | 190,165 |
| Group life insurance OPEB | 215,596 | 225,111 |
| Lease payable | <u>3,618</u> | <u>5,602</u> |
| Total | <u>\$ 2,357,110</u> | <u>\$ 2,010,084</u> |

The Authority implemented Governmental Accounting Standards Board's Statement No. 101, *Compensated Absences*, in fiscal year 2025. This standard updated the recognition and measurement guidance for compensated absences. Additional information can be found in Notes 4 and 11 to the basic financial statements.

Economic Factors and Next Year's Budget

The Authority adopts an annual budget for its operating and capital activities for the purpose of determining the annual contributions from the member jurisdictions required to fund these activities. The fiscal year 2026 approved budget for the Authority is \$17,657,027. This budget reflects an increase of \$2,524,922 above fiscal year 2025 and is primarily due to expenses directly related to staffing the jail.

The Authority will continue to face challenges in the upcoming fiscal year to address staffing shortages and the costs associated with recruitment and retention. The upcoming fiscal year will see continued improvements with facilities upgrades related to maintaining an aging facility. This will include a new emergency generator and HVAC work to replace a chiller.

Request for Financial Information

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

* * * *

Virginia Peninsula Regional Jail Authority

Statement of Net Position

June 30, 2025

Assets

| | |
|--|-------------------|
| Cash and short-term investments (Note 2) | \$ 11,535,271 |
| Due from other governmental units | 663,233 |
| Accounts receivable | 30,356 |
| Lease receivable (Note 7): | |
| Due within one year | 3,706 |
| Due in more than one year | 49,043 |
| Capital assets, net (Note 3): | |
| Nondepreciable | 881,571 |
| Depreciable, net | 10,762,730 |
| Net pension asset (Note 5) | 6,954,138 |
| Total assets | <u>30,880,048</u> |

Deferred Outflows of Resources

| | |
|--|----------------------|
| Deferred pension outflows (Note 5) | 508,266 |
| Deferred retiree healthcare OPEB outflows (Note 6) | 17,318 |
| Deferred GLI OPEB outflows (Note 6) | 67,010 |
| Total deferred outflows of resources | <u>592,594</u> |
| Total assets and deferred outflows of resources | <u>\$ 31,472,642</u> |

Liabilities

| | |
|--|------------------|
| Accounts payable | \$ 241,928 |
| Interest payable | 1,376 |
| Unearned revenue | 800 |
| Accrued payroll | 15,886 |
| Long-term liabilities (Notes 4 and 7): | |
| Due within one year | 846,465 |
| Due in more than one year | 1,510,645 |
| Total liabilities | <u>2,617,100</u> |

Deferred Inflows of Resources

| | |
|---|----------------|
| Deferred lease inflows (Note 7) | 48,028 |
| Deferred pension inflows (Note 5) | 652,032 |
| Deferred retiree healthcare OPEB inflows (Note 6) | 97,595 |
| Deferred GLI OPEB inflows (Note 6) | 72,181 |
| Total deferred inflows of resources | <u>869,836</u> |

Net Position

| | |
|--|----------------------|
| Net investment in capital assets | 10,960,255 |
| Restricted for pensions | 6,954,138 |
| Unrestricted | 10,071,313 |
| Total net position | <u>27,985,706</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 31,472,642</u> |

See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2025

Operating Revenues

| | |
|--------------------------------|-------------------|
| Fees from member jurisdictions | \$ 7,536,043 |
| Commonwealth of Virginia | 6,639,287 |
| Federal government | 130,106 |
| Fees, commissions, and sales | 979,305 |
| Miscellaneous | 194,723 |
| Total operating revenues | <u>15,479,464</u> |

Operating Expenses

| | |
|--|-------------------|
| Salaries and benefits | 7,856,006 |
| Contractual services | 2,243,822 |
| Depreciation and amortization (Note 3) | 965,979 |
| Building, field, and equipment maintenance | 757,772 |
| Utilities | 568,391 |
| Food supplies | 513,053 |
| Medical supplies | 301,103 |
| Other supplies | 360,750 |
| Fiscal agent fee (Note 8) | 144,288 |
| Transportation | 63,057 |
| Insurance | 107,334 |
| Staff and inmate clothing | 136,753 |
| Dues, memberships, and training | 34,182 |
| Software | 62,321 |
| Leases and rentals | 25,485 |
| Inmate betterment | 83,947 |
| Indigent expenses | 17,977 |
| Total operating expenses | <u>14,242,220</u> |
| Operating income | <u>1,237,244</u> |

Nonoperating Revenues (Expenses)

| | |
|---|----------------|
| Interest income | 393,668 |
| Interest expense | (18,839) |
| Gain on sale of capital assets (Note 3) | 15,329 |
| Net nonoperating revenue | <u>390,158</u> |

| | |
|------------------------|-----------|
| Change in net position | 1,627,402 |
|------------------------|-----------|

| | |
|---|------------|
| Net Position, beginning of year, as previously presented | 26,657,502 |
|---|------------|

| | |
|---|-----------|
| Restatement - change in accounting principle (Note 11) | (299,198) |
|---|-----------|

| | |
|---|-------------------|
| Net Position, beginning of year, as restated (Note 11) | <u>26,358,304</u> |
|---|-------------------|

| | |
|----------------------------------|-----------------------------|
| Net Position, end of year | <u><u>\$ 27,985,706</u></u> |
|----------------------------------|-----------------------------|

See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority

Statements of Cash Flows

Year Ended June 30, 2025

Cash flows from operating activities:

| | |
|---|------------------|
| Cash received from customers | \$ 16,254,623 |
| Cash payments to suppliers for goods and services | (5,591,584) |
| Cash payments for personnel services | (8,168,696) |
| Net cash provided by operating activities | <u>2,494,343</u> |

Cash flows from capital and related financing activities:

| | |
|--|------------------|
| Acquisition and construction of capital assets | (189,734) |
| Proceeds from sale of capital assets | 17,550 |
| Principal payments on debt | (192,907) |
| Payment of lease liabilities | (1,984) |
| Interest paid | (19,246) |
| Net cash used in capital and financing activities | <u>(386,321)</u> |

Cash flows from investment activities:

| | |
|--|----------------|
| Lease payments received | 3,430 |
| Interest received | 393,965 |
| Net cash provided by investing activities | <u>397,395</u> |

| | |
|--|------------------|
| Increase in cash and short-term investments | <u>2,505,417</u> |
|--|------------------|

| | |
|---|------------------|
| Cash and short-term investments, beginning of year | <u>9,029,854</u> |
|---|------------------|

| | |
|---|-----------------------------|
| Cash and short-term investments, end of year | <u><u>\$ 11,535,271</u></u> |
|---|-----------------------------|

Reconciliation of operating income to net cash provided by operating activities:

| | |
|---|----------------------------|
| Operating income | \$ 1,237,244 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation and amortization | 965,979 |
| Pension recovery, net of employer contributions | (470,078) |
| Retiree healthcare OPEB expense, net of employer contributions | (49,357) |
| Group life insurance OPEB expense, net of employer contributions | (37,377) |
| Lease income | (4,502) |
| Changes in operating assets and liabilities: | |
| Receivables | 775,159 |
| Payables | (167,647) |
| Accrued payroll | 4,991 |
| Unearned revenue | 800 |
| Compensated absences | 239,131 |
| Total adjustments | <u>1,257,099</u> |
| Net cash provided by operating activities | <u><u>\$ 2,494,343</u></u> |

See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority
Statement of Fiduciary Net Position
June 30, 2025

| | <u>Inmate Trust Fund</u> |
|---------------------------------|------------------------------|
| Assets | |
| Cash and short-term investments | \$ 25,343 |
| Liabilities | |
| Accounts payable | \$ 4,839 |
| Amounts held for others | 10,404 |
| Due to other funds | <u>8,780</u> |
| Total liabilities | <u>\$ 24,023</u> |
| Net Position | |
| Unrestricted | <u><u>\$ 1,320</u></u> |

See independent auditor's report.

Virginia Peninsula Regional Jail Authority
Statement of Changes in Fiduciary Net Position (Deficit)
Period Ended June 30, 2025

| | Inmate Trust Fund |
|--|------------------------------|
| Additions | |
| Inmate contributions | \$ 503,860 |
| Deductions | |
| Inmate expenses | 500,620 |
| Change in net position | 3,240 |
| Net position (deficit), beginning of year | (1,920) |
| Net position, end of year | <u>\$ 1,320</u> |

See independent auditor's report.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2025

1) Summary of Significant Accounting Policies

The Virginia Peninsula Regional Jail Authority (the Authority) was created as a political subdivision of the Commonwealth of Virginia by resolutions adopted in 1993, by and between the Cities of Poquoson, Virginia, and Williamsburg, Virginia, (the Cities) and the Counties of James City, Virginia, and York, Virginia, (the Counties), pursuant to the provisions of Article 3.1, Chapter 3, Title 53.1 of the Code of Virginia, as amended. The Authority is governed by a seven-member board of directors (the Board), consisting of one representative from each member jurisdiction and the sheriff of each jurisdiction that has a sheriff. The host jurisdiction, James City County (the County), is also entitled to an additional member who was appointed in January 1998. The general purpose of the Authority is to maintain and operate a regional jail and the Authority began accepting prisoners on June 14, 1997.

Financial Reporting Entity

The Authority is a legally separate organization. Neither the City Councils of the Cities nor the Boards of Supervisors of the Counties can impose their will on the Authority and there is no potential financial benefit or burden in the relationship. Accordingly, the Authority is not considered a component unit of any of the Cities or the Counties. The County is the fiscal agent for the Authority.

Basis of Accounting and Measurement Focus

The Authority prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority uses the economic resources management focus and the accrual basis of accounting similar to an enterprise fund. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. Enterprise funds are used to account for activities that are financed and operated similar to those often found in the private sector. An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from the Authority's ongoing operations. Operating revenues are comprised primarily of fees from member jurisdictions and intergovernmental revenues. Operating expenses include salaries and benefits, contractual services, supplies and depreciation. Revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. The Authority generally first uses restricted resources for expenses incurred for which both restricted and unrestricted net position are available.

Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash, and (b) so near the maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, the Authority considers investments with original maturities of three months or less to be cash equivalents.

Capital Assets

The Authority's policy is to capitalize assets with a historical cost or acquisition value (for donated assets) on the date received based on the thresholds for the various asset classes.

| Asset Class | Threshold | Asset Class | Threshold |
|-----------------------|-----------|--------------------------------|-----------|
| Land | All | Right-to-Use: Land Leases | All |
| Land improvements | \$ 10,000 | Right-to-Use: Building Leases | \$ 50,000 |
| Easements | \$ 10,000 | Right-to-Use: Equipment Leases | \$ 10,000 |
| Intangibles | \$ 10,000 | Right-to-Use: SBITAs | \$ 10,000 |
| Buildings | \$ 50,000 | | |
| Building improvements | \$ 25,000 | | |
| Infrastructure | \$ 25,000 | | |
| Equipment | \$ 10,000 | | |
| Vehicles | \$ 10,000 | | |

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2025

1) Summary of Significant Accounting Policies, Continued

The costs of major improvements are capitalized while the cost of maintenance and repairs, which do not improve or extend the list of an asset, are expensed. When capital assets are sold or retired, the cost and related accumulated depreciation, if applicable, are removed from the accounts, and any resulting gain or loss on disposal is included in non-operating revenues (expenses). Depreciation of capital assets is calculated on the straight-line basis over the following estimated useful lives:

| | |
|---------------------------------------|-------------|
| Buildings and improvements | 10-40 years |
| Furniture, equipment, and vehicles | 3-12 years |
| Right to Use Leased asset - equipment | 1-6 years |

Deferred Outflows and Inflows of Resources

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

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

- ***Contributions subsequent to the measurement date for pension and OPEB:*** These contributions are always a deferred outflow, which will be applied to the net pension or OPEB liability in the next fiscal year.
- ***Differences between expected and actual experience for economic/demographic factors in the measurement of the net pension asset or OPEB liability:*** This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- ***Differences resulting from changes in proportion of the collective net OPEB liabilities:*** This difference will be recognized in pension and OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- ***Difference between projected and actual earnings on pension and OPEB plan investments:*** This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- ***Differences resulting from changes in assumptions on pension plan or OPEB investments:*** These differences will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan.
- ***Value of lease receivables plus any payments received at or before the commencement of the lease term that relate to future periods:*** These values will be recognized as inflows of resources systematically over the term of the lease.

Fees from Member Jurisdictions

Fees from member jurisdictions consist of charges billed on a rolling five-year utilization average. The member's annual charge is based on the ratio of each member jurisdiction's bed usage in the jail during the preceding five fiscal years to the aggregate usage of space by all member jurisdictions during the same five fiscal years.

Estimates

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

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2025

1) Summary of Significant Accounting Policies, Continued

Leases

Lessee: The Authority is a lessee for noncancellable leases of equipment. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position. The Authority recognizes lease liabilities with an initial, individual value based on the right-to-use value indicated in the capital asset section.

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

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

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

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

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

Lessor: The Authority is a lessor for a noncancellable lease of property. The Authority recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

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

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

- The Authority uses the interest rate included in the lease as the discount rate. When the interest rate is not provided, the interest rate implicit in the lease is determined and used as the discount rate.
- The lease term includes the non-cancellable period of the lease. In addition, the likelihood of any extension, renewal, or termination option is assessed in determining the lease term.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

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

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2025

1) Summary of Significant Accounting Policies, Continued

Adoption of a New Accounting Statement

For fiscal year 2025, the Authority implemented Governmental Accounting Standards Board's Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences, aligning that guidance under a unified model, and amending certain previously required disclosures. The unified recognition and measurement model in this statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

Compensated Absences

The Authority recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, three types of leave qualify for liability recognition for compensated absences; annual leave, compensatory time, and sick leave. The liability for compensated absences is reported as incurred in the Statement of Net Position and includes salary-related benefits.

The Authority's policies regarding the qualifying types of leave are as follows:

- **Annual Leave:** Eligible employees are permitted to accumulate earned but unused annual leave based on the employee's years of service. Any excess above that annual maximum is forfeited. Upon separation of employment from the Authority, employees receive the monetary equivalent of their accrued annual leave up to the annual maximum based on the years of service.
- **Compensatory Time:** Eligible employees are permitted to accumulate earned but not used compensatory time based on hours worked in excess of FLSA allowable hours. Upon separation, employees shall receive the monetary equivalent of their accrued compensatory time paid at their most current pay rate.
- **Sick Leave:** Eligible employees are permitted to accumulate earned but unused sick leave with no maximum limit to the amount of sick leave that may be accrued. Upon separation of employment from the Authority, all sick leave lapses, and no monetary obligation exists. However, a liability for the estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

2) Cash and Short-Term Investments

The Authority's cash and short-term investments at June 30, 2025, consisted of the following:

| | <u>Authority</u> | <u>Fiduciary Fund</u> |
|------------------------|----------------------|-----------------------|
| Bank deposits | \$ 3,090,117 | \$ 25,343 |
| Short-term investments | 8,445,154 | - |
| Total | \$ 11,535,271 | \$ 25,343 |

Deposits with banks are fully covered by Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*. The Authority's investments at June 30, 2025, were as follows:

| <u>Investment Type</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Level</u> | <u>Maturity</u> | <u>Rated</u> |
|------------------------|--------------|-------------------|--------------|-----------------|--------------|
| LGIP (amortized cost) | \$ 8,445,154 | \$ 8,445,154 | N/A | 1 day | AAAm |

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2025

2) Cash and Short-Term Investments, Continued

Investment Policy

The Authority utilizes the policies and procedures of the James City County Treasurer; therefore, the Investment Policy (Policy) of the County is used. In accordance with the Code of Virginia and other applicable law, including regulations, the Authority's Policy permits investments in U.S. government obligations, municipal obligations, commercial paper, certain corporate notes, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, which measures its investments at amortized cost). The Policy establishes limitations on the holdings of non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is as follows:

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

Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, Fitch Investor's Service, and Duff and Phelps. Corporate notes must have a minimum of "Aa" long-term debt rating by Moody's Investors Service and a minimum of "AA" long-term debt rating by Standard & Poor's. Negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investors Service. Although state statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances or money market mutual funds, the Authority has established stringent credit standards for these investments to minimize portfolio risk. As of June 30, 2025, the Authority's investment in LGIP was rated AAAm by Standard & Poor's.

Concentration of Credit Risk

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

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

At June 30, 2025, the Authority's portfolio was invested entirely in the Commonwealth of Virginia LGIP account.

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority's Policy limits the investment of short-term operating funds to an average weighted maturity of no more than 180 days, with a portion of the portfolio continuously invested in readily available funds.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2025

2) Cash and Short-Term Investments, Continued

The operating fund core portfolio will be invested in permitted investments with a stated maturity of no more than five years from the date of purchase. To control the volatility of the core portfolio, the Treasurer will determine a duration target, not to exceed three years.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities, so long as the maturity does not exceed the expected disbursement date of those funds.

Custodial Credit Risk

The Policy requires all investment securities purchased by the Authority or held as collateral on deposits or investments shall be held by the Authority or by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction. As of June 30, 2025, the Authority's investments are held in a bank's trust department in its name.

3) Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2025.

| | Balances | | | | Balances |
|--|----------------------|------------------|---------------------|------------------|----------------------|
| | July 1, 2024 | Reclasses | Increases | Decreases | June 30, 2025 |
| Capital assets, nondepreciable: | | | | | |
| Land and land improvements | \$ 881,571 | \$ - | \$ - | \$ - | \$ 881,571 |
| Capital assets, depreciable: | | | | | |
| Land improvements | 248,261 | - | - | - | 248,261 |
| Intangibles | 80,050 | - | - | - | 80,050 |
| Buildings | 30,525,421 | (201,724) | - | - | 30,323,697 |
| Building improvements | 401,873 | 79,600 | 21,450 | - | 502,923 |
| Furniture and equipment | 1,264,153 | 122,124 | 62,249 | 21,001 | 1,427,525 |
| Right-to-use leased asset - equipment | 11,140 | - | - | - | 11,140 |
| Vehicles | 630,176 | - | 106,035 | 82,707 | 653,504 |
| Total capital assets, depreciable | 33,161,074 | - | 189,734 | 103,708 | 33,247,100 |
| Less accumulated depreciation: | | | | | |
| Land improvements | 17,235 | - | 12,413 | - | 29,648 |
| Intangibles | 40,495 | - | 9,163 | - | 49,658 |
| Buildings | 20,271,019 | (113,391) | 768,953 | - | 20,926,581 |
| Building improvements | 3,636 | 29,873 | 18,862 | - | 52,371 |
| Furniture and equipment | 732,592 | 83,518 | 86,969 | 18,780 | 884,299 |
| Right-to-use leased asset - equipment | 5,812 | - | 1,937 | - | 7,749 |
| Vehicles | 549,089 | - | 67,682 | 82,707 | 534,064 |
| Total accumulated depreciation | 21,619,878 | - | 965,979 | 101,487 | 22,484,370 |
| Total capital assets, depreciable, net | 11,541,196 | - | (776,245) | 2,221 | 10,762,730 |
| Net capital assets | \$ 12,422,767 | \$ - | \$ (776,245) | \$ 2,221 | \$ 11,644,301 |

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2025

4) Long-Term Liabilities

A summary of the Authority's changes in long-term liabilities for the year ended June 30, 2025, is as follows:

| | Balance 7/1/2024 | Increases | Decreases | Balance 6/30/2025 | Due Within One Year |
|------------------------------------|---------------------|-------------------|-------------------|----------------------|------------------------|
| Compensated absences, as restated* | \$ 1,015,069 | \$ 239,131 | \$ - | \$ 1,254,200 | \$ 641,171 |
| Financed purchase payable | 873,335 | - | 192,907 | 680,428 | 203,250 |
| Retiree healthcare OPEB | 190,165 | 13,103 | - | 203,268 | - |
| Group life insurance OPEB | 225,111 | - | 9,515 | 215,596 | - |
| Lease payable | 5,602 | - | 1,984 | 3,618 | 2,044 |
| Total | \$ 2,309,282 | \$ 252,234 | \$ 204,406 | \$ 2,357,110 | \$ 846,465 |

* Compensated absences as of 7/1/2024 reflects a restatement due to the implementation of GASB 101; additional information can be found in Note 11. The increase in compensated absences shown above is the net change for the year.

Financed Purchases

In February 2013, the Authority entered a \$1,766,000 financed purchase agreement for energy efficient improvements with an interest rate of 2.85%, with Siemens Public, Inc. At June 30, 2025, the net book value of the capital assets purchased under this agreement was \$417,201 and the related interest payable was \$1,376. In January 2022, the Authority entered a \$245,007 financed purchase agreement for Motorola radios with an interest rate of 2.040%. The net book value of the capital assets purchased under this agreement was \$181,714 at June 30, 2025. The annual requirements under these agreements are as follows:

| Year Ended June 30, | Energy Efficient | | Radios | |
|------------------------|-------------------|------------------|-------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2026 | \$ 153,269 | \$ 14,905 | \$ 49,981 | \$ 2,060 |
| 2027 | 163,039 | 10,433 | 51,000 | 1,040 |
| 2028 | 173,251 | 5,679 | - | - |
| 2029 | 89,888 | 962 | - | - |
| Total | \$ 579,447 | \$ 31,979 | \$ 100,981 | \$ 3,100 |

5) Pensions

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

Plan Description

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

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

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

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2025

5) Pensions, Continued

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, membership consisted of:

| | Number |
|--|---------------|
| Inactive members or their beneficiaries currently receiving benefits | 92 |
| <u>Inactive members:</u> | |
| Vested | 32 |
| Non-vested | 208 |
| Active elsewhere in VRS | 86 |
| Total inactive members | 326 |
| Active members | 81 |
| Total | 499 |

Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2025, was 7.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$399,143 and \$286,029 for the years ended June 30, 2025, and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$8,501 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$3,810 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$850,112 for the year ended June 30, 2025.

Net Pension Asset

The net pension asset is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GAAP, less the employer's fiduciary net position. For the Authority, the net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions

The total pension liability for General Employees was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

| | |
|---------------------------------------|--|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% – 5.35% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation* |

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.

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2025

5) Pensions, Continued

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 below:

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. From July 1, 2024, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

| | Increase (Decrease) | | |
|---|--------------------------------|-----------------------------------|--------------------------|
| | Total pension liability | Plan fiduciary net pension | Net pension asset |
| Balances at June 30, 2023 | \$ 16,886,524 | \$ 23,539,096 | \$ (6,652,572) |
| Changes for the year: | | | |
| Service cost | 888,023 | - | 888,023 |
| Interest | 1,167,299 | - | 1,167,299 |
| Differences between expected and actual experience | 412,244 | - | 412,244 |
| Contributions - employer | - | 274,083 | (274,083) |
| Contributions - employee | - | 239,209 | (239,209) |
| Net investment income | - | 2,270,417 | (2,270,417) |
| Benefit payments, including refunds of employee contributions | (962,463) | (962,463) | - |
| Administrative expenses | - | (15,047) | 15,047 |
| Other changes | - | 470 | (470) |
| Net changes | 1,505,103 | 1,806,669 | (301,566) |
| Balances at June 30, 2024 | \$ 18,391,627 | \$ 25,345,765 | \$ (6,954,138) |

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2025

5) Pensions, Continued

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

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

| | 1% Decrease (5.75%) | Current discount rate (6.75%) | 1% Increase (7.75%) |
|-------------------|------------------------------------|--|------------------------------------|
| Net pension asset | \$ (4,794,813) | \$ (6,954,138) | \$ (8,725,951) |

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources – Pensions

For the year ended June 30, 2025, the Authority recognized pension expense (recovery) of (\$70,935).

At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

| | Deferred outflows of resources | Deferred inflows of resources |
|--|---|--|
| Differences between expected and actual experience | \$ 109,123 | \$ - |
| Net difference between projected and actual earnings on plan investments | - | 652,032 |
| Employer contributions subsequent to measurement date | 399,143 | - |
| Total | \$ 508,266 | \$ 652,032 |

The \$399,143 reported as a deferred outflow of resources represents contributions subsequent to the measurement date and will be recognized as an increase to the net pension asset in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (recovery) as follows:

| Year ended June 30, | Amount |
|--------------------------------|---------------------|
| 2026 | \$ (457,713) |
| 2027 | 182,347 |
| 2028 | (128,108) |
| 2029 | (139,435) |
| Total | \$ (542,909) |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/media/shared/pdf/publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

6) Other Postemployment Benefits (OPEB)

Multiple Employer Cost-Sharing Plan - Retiree Healthcare

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

Plan Description

Participants must be eligible to retire under VRS and must be full-time active employees who retire directly from the Authority and are at least 55 years of age with 15 years of service.

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2025

6) Other Postemployment Benefits (OPEB), Continued

Each year, retirees participating in the Authority's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. For fiscal year 2025, the pre-Medicare retirees have a choice of two plans offered by Sentara. Dental plans are available at the retiree's cost and therefore, there is no employer obligation. There is no coverage for post-Medicare retirees.

Funding Policy

Retirees contribute towards their health insurance premiums based on a blended rate and therefore, the Authority has an implicit rate obligation. Retirees pay 100% of the published rates for individual and dependent coverage until age 65. The estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees.

The Authority does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the net retiree healthcare OPEB liability is based on contributions to the benefit plan on a pay-as-you-go cost basis. The data has been projected into the future based on the assumption that the current active population remains constant.

Actuarial Methods and Assumptions

For the actuarial valuation at January 1, 2024 (measurement date of June 30, 2025), the entry age normal funding method was used. The goal of this method is that the annual accrual (or normal cost) be a level percent of pay throughout an employee's career. This method requires a salary increase assumption. The normal cost percentage is equal to the present value of benefits divided by the present value of future salary determined when the employee was hired. The actuarial accrued liability is equal to the present value of benefits minus the normal cost percentage times the present value of future salaries at the valuation date.

The actuarial assumptions included calculations based on a discount rate of 3.97% for June 30, 2024, for the unfunded liability. Benefits are discounted based on an index rate for 20-year tax-exempt general obligation (GO) municipal bonds with an average rating of AA/Aa or higher.

For the actuarial valuation dated January 1, 2024, the medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The current valuation uses the 2024 version of the model with baseline assumptions. The following assumptions were used as input variables into this model:

| | | |
|---|-----------|--------|
| | Inflation | 2.60% |
| Rate of growth in real income/ GDP per capita | | 1.40% |
| Extra trend due to technology and other factors | | 0.90% |
| Expected health share of GDP in 2033 | | 19.00% |
| Health share of GDP resistance point | | 17.00% |
| Year for limiting cost growth to GDP growth | | 2075 |

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

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

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2025

6) Other Postemployment Benefits (OPEB), Continued

Mortality decrements used in the January 1, 2024, valuation:

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

Changes in Assumptions Since Prior Valuation

- Discount rate was updated to 3.97% (based on January 1, 2024 actuarial valuation report)

Retiree Healthcare OPEB Liability

At June 30, 2025, the Authority reported a retiree healthcare OPEB liability of \$203,268 for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2025, retiree healthcare OPEB liability was measured as of June 30, 2024, and was determined by an actuarial valuation performed January 1, 2024. The Authority's proportion of the County's retiree healthcare OPEB liability was based on the Authority's projected long-term contribution effort to the OPEB plan as compared to the total projected long-term contribution effort of all contributing entities to determine the Authority's proportion. At June 30, 2025, the Authority's proportion of the County's retiree healthcare OPEB liability was 5.53%.

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

The following presents the retiree healthcare OPEB liability using the discount rate of 3.97%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.97%) or one percentage point higher (4.97%) than the current rate for the measurement date of June 30, 2023:

| | 1% Decrease (2.97%) | Current Discount Rate (3.97%) | 1% Increase (4.97%) |
|-----------------------------------|---------------------------|-------------------------------------|---------------------------|
| Retiree Healthcare OPEB Liability | \$ 222,361 | \$ 203,268 | \$ 185,883 |

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

The following presents the retiree healthcare OPEB liability using the healthcare cost trend rate of 4.04%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.04%) or one percentage point higher (5.04%) than the current rate:

| | Decrease (3.04%) | Trend Rate (4.04%) | Increase (5.04%) |
|-----------------------------------|---------------------|-----------------------|---------------------|
| Retiree Healthcare OPEB Liability | \$ 179,790 | \$ 203,268 | \$ 230,880 |

Virginia Peninsula Regional Jail Authority
Notes to the Financial Statements
June 30, 2025

6) Other Postemployment Benefits (OPEB), Continued

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

For the year ended June 30, 2025, the Authority recognized retiree healthcare OPEB expense (recovery) of (\$46,470). At June 30, 2025, deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB from the following sources were reported:

| | Deferred outflows of resources | Deferred inflows of resources |
|--|---|--|
| Differences between expected and actual experience | \$ 2,480 | \$ 55,667 |
| Changes of assumptions | 6,260 | 17,970 |
| Change in proportion | 8,578 | 23,958 |
| Total | \$ 17,318 | \$ 97,595 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB will be recognized in retiree healthcare OPEB expense (recovery) as follows:

| Year Ended | Amount |
|-------------------|--------------------|
| 2026 | \$ (54,976) |
| 2027 | (14,153) |
| 2028 | (5,387) |
| 2029 | (5,391) |
| 2030 | (370) |
| Total | \$ (80,277) |

Virginia Retirement System Plan - Group Life Insurance

In addition to their participation in the pension plans offered through the VRS, the Authority also participates in a cost-sharing, multi-employer other postemployment benefit plan, described as follows.

Plan Description

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment. In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Given that this is a separate and fully insured program, it is not included as part of the GLI Program OPEB. Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

The GLI is administered by the VRS along with pension and OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered to be a multiple-employer, cost-sharing plan.

Contributions to the GLI OPEB program were based on actuarially determined rates from actuarial valuations as of June 30, 2022. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the GLI OPEB program are as follows:

| | |
|----------------------------|--|
| Governed by: | Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly. |
| Total rate: | 1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution. |
| June 30, 2025 Contribution | \$ 24,731 |

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2025

6) Other Postemployment Benefits (OPEB), Continued

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

The net GLI OPEB liability was measured as of June 30, 2024, and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers.

| | |
|--|------------|
| June 30, 2025 proportionate share of liability | \$215,596 |
| June 30, 2024 proportion | 0.01932% |
| June 30, 2023 proportion | 0.01877% |
| June 30, 2024 expense (recovery) | (\$12,333) |

Given that there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amounts from changes in proportion. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Deferred outflows of resources | Deferred inflows of resources |
|--|---|--|
| Differences between expected and actual experience | \$ 34,004 | \$ 5,266 |
| Net difference between projected and actual investment earnings on OPEB Plan investments | - | 18,172 |
| Changes of assumptions | 1,229 | 10,684 |
| Changes in proportionate share | 7,046 | 38,059 |
| Employer contributions subsequent to the measurement date | 24,731 | - |
| Total | \$ 67,010 | \$ 72,181 |

The \$24,731 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, 2026. 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 | Increase (Reduction) to OPEB Expense |
|-------------------|---|
| 2026 | \$ (25,100) |
| 2027 | (9,676) |
| 2028 | (3,355) |
| 2029 | 3,886 |
| 2030 | 4,343 |
| Total | \$ (29,902) |

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2023, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

| | |
|--|---|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| Locality – General employees | 3.50% – 5.35% |
| Locality – Hazardous duty employees | 3.50% – 4.75% |
| Teachers | 3.50% – 5.95% |
| Investment rate of return | 6.75%; net of investment expenses, including inflation* |

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2025

6) Other Postemployment Benefits (OPEB), Continued

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans.

Net GLI OPEB Liability

The net OPEB Liability (NOL) for the GLI 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, 2024, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

| | | |
|-----------------------------|----|------------------|
| Total GLI OPEB Liability | \$ | 4,196,055 |
| Plan Fiduciary Net Position | | 3,080,133 |
| Net GLI OPEB Liability | \$ | <u>1,115,922</u> |

| | |
|---|--------|
| Plan Fiduciary Net Position as a % of the Total GLI OPEB Liability | 73.41% |
|---|--------|

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 rates of return on VRS GLI OPEB are the same as those used for the VRS pension plans (see Note 5).

Discount Rate

The discount rate used to measure the GLI OPEB 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 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, 2024, the rate contributed by the employer for the GLI OPEB liability will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2024, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Net GLI OPEB Liability to Changes in the Discount Rate

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

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|--|---------------------------|-------------------------------------|---------------------------|
| Authority's proportionate share of the GLI Program Net OPEB Liability | \$ 335,280 | \$ 215,596 | \$ 118,907 |

Group Life Insurance Program Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2025

7) Leases

Lease Receivable

The Authority leases a portion of its property for the location of a cell tower and shed. The Authority receives monthly payments, which increase every five years by the consumer price index. The discount rate is 3.0% annually and the lease's final renewal ends in February 2036. The Authority recognized \$4,503 of lease revenue and \$1,638 of interest revenue during fiscal year 2025 for this lease. As of June 30, 2025, the lease receivable was \$52,749, and deferred inflows of resources was \$48,028, which will be recognized as revenue on a straight-line basis over the lease term.

The present value of the future lease payments are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|------------------|-----------------|------------------|
| 2026 | \$ 3,706 | \$ 1,533 | \$ 5,239 |
| 2027 | 4,166 | 1,414 | 5,580 |
| 2028 | 4,292 | 1,288 | 5,580 |
| 2029 | 4,423 | 1,157 | 5,580 |
| 2030 | 4,557 | 1,023 | 5,580 |
| 2031-2035 | 27,555 | 2,785 | 30,340 |
| 2036 | 4,050 | 46 | 4,096 |
| Total | \$ 52,749 | \$ 9,246 | \$ 61,995 |

Leases Payable

The Authority leases a postage machine that runs through March 2027 with a 3.0% discount rate annually. As of June 30, 2025, the lease payable was \$3,618. The Authority made quarterly principal and interest payments of \$531. The value of the right-to-use asset as of June 30, 2025, was \$11,140 and the accumulated amortization was \$7,749.

The future lease payments are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-----------------|---------------|-----------------|
| 2026 | \$ 2,044 | \$ 81 | \$ 2,125 |
| 2027 | 1,574 | 20 | 1,594 |
| Total | \$ 3,618 | \$ 101 | \$ 3,719 |

8) Transactions with Related Parties

Certain financial management and accounting services are provided to the Authority by the County and the total charges for these services were \$144,288 for the year ended June 30, 2025.

At June 30, 2025, the County owed \$12,170 to the Authority, which is included in "Due from other governmental units" on the Statement of Net Position. The amount due to the Authority is for payments made to the County prior to June 30, 2025, on behalf of employees who were determined to be ineligible for the VRS benefits subsequent to year-end due to termination or other circumstances.

Virginia Peninsula Regional Jail Authority

Notes to the Financial Statements

June 30, 2025

9) Commitments

In December 2021, the Authority entered an agreement with CBH Medical of Virginia, LLC for primary care medical services and mental health services for inmates. The initial term of the contract was from March 1, 2022 to February 28, 2025. The contract was amended by mutual agreement to extend the contract one year until February 28, 2026. This is the first of five (5) optional, separate one (1) year extensions.

Per the agreement, the Authority pays a minimum of \$1,899,984 per year in monthly installments of \$158,332. The monthly installment could be increased by \$3.25 per inmate per day if the average daily population for a given month is greater than 450 inmates per day. The Authority paid \$1,982,409 in fiscal year 2025 related to this agreement which is included in "Contractual services" on the Statement of Revenues, Expenses, and Changes in Net Position.

10) Litigation

The Authority could be subject to certain claims that arise in the ordinary course of operations. As of June 30, 2025, the Authority is subject to pending or threatened litigation. In the opinion of management, after consultation with counsel, the outcome of such claims have been determined not to have a material adverse effect on the Authority's operations or financial position.

11) Restatement

The net position as of the beginning of fiscal year 2025 was restated to reflect an adjustment related to the Authority's implementation of GASB Statement No. 101, *Compensated Absences*. More information regarding the adjustment can be found in Note 1 and the related balances have been adjusted as follows:

| | Previously Reported 6/30/2024 | Restatement | As Restated 6/30/2024 |
|------------------------|-------------------------------------|--------------|-----------------------------|
| Long-term liabilities: | | | |
| Compensated absences | \$ 715,871 | \$ 299,198 | \$ 1,015,069 |
| Net position: | | | |
| Unrestricted | \$ 8,461,100 | \$ (299,198) | \$ 8,161,902 |
| Total net position | \$ 26,657,502 | \$ (299,198) | \$ 26,358,304 |

* * * * *

Required Supplementary Information

Virginia Peninsula Regional Jail Authority
Schedule of Changes in the Net Pension Asset and Related Ratios
Last Ten Fiscal Years

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| Total pension liability | | | | | | | | | | |
| Service cost | \$ 888,023 | \$ 781,857 | \$ 755,584 | \$ 738,262 | \$ 912,785 | \$ 844,875 | \$ 824,692 | \$ 815,014 | \$ 774,740 | \$ 755,721 |
| Interest | 1,167,299 | 1,142,847 | 1,089,754 | 1,022,024 | 957,453 | 934,640 | 924,417 | 857,808 | 840,404 | 751,781 |
| Differences between expected and actual experience | 412,244 | (773,702) | (244,698) | (1,307,315) | (193,385) | (765,242) | (898,906) | 37,356 | (886,823) | 183,103 |
| Changes in assumptions | - | - | - | 630,952 | - | 429,432 | - | (99,812) | - | - |
| Benefit payments, including refunds of employee contributions | (962,463) | (817,898) | (871,675) | (800,521) | (639,970) | (582,480) | (825,831) | (491,774) | (467,611) | (381,528) |
| Net change in total pension liability | 1,505,103 | 332,804 | 728,965 | 283,402 | 1,036,883 | 861,225 | 24,372 | 1,118,592 | 260,710 | 1,309,077 |
| Total pension liability, beginning | 16,886,524 | 16,553,720 | 15,824,755 | 15,541,353 | 14,504,470 | 13,643,245 | 13,618,873 | 12,500,281 | 12,239,571 | 10,930,494 |
| Total pension liability, ending | \$ 18,391,627 | \$ 16,886,524 | \$ 16,553,720 | \$ 15,824,755 | \$ 15,541,353 | \$ 14,504,470 | \$ 13,643,245 | \$ 13,618,873 | \$ 12,500,281 | \$ 12,239,571 |
| Plan fiduciary net position | | | | | | | | | | |
| Contributions - employer | \$ 274,083 | \$ 243,717 | \$ 347,828 | \$ 372,453 | \$ 464,044 | \$ 455,929 | \$ 429,876 | \$ 429,635 | \$ 552,590 | \$ 516,601 |
| Contributions - employee | 239,209 | 212,405 | 192,726 | 207,308 | 242,443 | 238,811 | 242,861 | 242,980 | 244,984 | 236,366 |
| Net investment income | 2,270,417 | 1,447,236 | (22,556) | 4,960,282 | 338,814 | 1,114,739 | 1,147,713 | 1,683,653 | 242,074 | 569,404 |
| Benefit payments, including refunds of employee contributions | (962,463) | (817,898) | (871,675) | (800,521) | (639,970) | (582,480) | (825,831) | (491,774) | (467,611) | (381,528) |
| Administrative expense | (15,047) | (14,388) | (14,195) | (12,224) | (11,285) | (10,577) | (9,799) | (9,348) | (7,304) | (7,304) |
| Other | 470 | 583 | 528 | 469 | (408) | (707) | (1,024) | (1,516) | (100) | (121) |
| Net change in plan fiduciary net position | 1,806,669 | 1,071,655 | (367,344) | 4,727,767 | 393,638 | 1,215,715 | 983,796 | 1,853,630 | 564,098 | 933,418 |
| Plan fiduciary net position, beginning | 23,539,096 | 22,467,441 | 22,834,785 | 18,107,018 | 17,713,380 | 16,497,665 | 15,513,869 | 13,660,239 | 13,096,141 | 12,162,723 |
| Plan fiduciary net position, ending | \$ 25,345,765 | \$ 23,539,096 | \$ 22,467,441 | \$ 22,834,785 | \$ 18,107,018 | \$ 17,713,380 | \$ 16,497,665 | \$ 15,513,869 | \$ 13,660,239 | \$ 13,096,141 |
| Net pension asset | \$ (6,954,138) | \$ (6,652,572) | \$ (5,913,721) | \$ (7,010,030) | \$ (2,565,665) | \$ (3,208,910) | \$ (2,854,420) | \$ (1,894,996) | \$ (1,159,958) | \$ (856,570) |
| Plan fiduciary net position as a percentage of the total pension liability | 137.81% | 139.40% | 135.72% | 144.30% | 116.51% | 122.12% | 120.92% | 113.91% | 109.28% | 107.00% |
| Covered payroll | \$ 4,939,351 | \$ 4,390,442 | \$ 4,004,992 | \$ 4,258,877 | \$ 4,978,010 | \$ 4,855,641 | \$ 4,901,876 | \$ 4,894,773 | \$ 4,932,752 | \$ 4,599,484 |
| Net pension asset as a percentage of the total covered payroll | (140.79)% | (151.52)% | (147.66)% | (164.60)% | (51.54)% | (66.09)% | (58.23)% | (38.71)% | (23.52)% | (18.62)% |

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

See accompanying notes and independent auditor's report.

Virginia Peninsula Regional Jail Authority
Schedule of Employer Pension Contributions
Last 10 Fiscal Years

Pension - Defined Benefit Contribution

| Fiscal year | Contractually required contribution | Contributions in relation to contractually required contribution | Contribution excess (deficiency) | Employer's covered payroll | Contributions as a % of covered payroll |
|--------------------|--|---|---|-----------------------------------|--|
| 2025 | \$ 399,143 | \$ 399,143 | - | \$ 5,239,603 | 7.62% |
| 2024 | 286,029 | 286,029 | - | 4,939,351 | 5.79% |
| 2023 | 243,745 | 243,745 | - | 4,390,442 | 5.55% |
| 2022 | 347,828 | 347,828 | - | 4,004,992 | 8.68% |
| 2021 | 372,453 | 372,453 | - | 4,258,877 | 8.75% |
| 2020 | 464,044 | 464,044 | - | 4,978,010 | 9.32% |
| 2019 | 460,393 | 460,393 | - | 4,855,641 | 9.48% |
| 2018 | 432,963 | 432,963 | - | 4,901,876 | 8.83% |
| 2017 | 431,719 | 431,719 | - | 4,894,773 | 8.82% |
| 2016 | 554,438 | 554,441 | 3 | 4,932,752 | 11.24% |

Pension - Hybrid Plan Defined Contribution Component (1)

| Fiscal year | Contractually required contribution | Contributions in relation to contractually required contribution | Contribution deficiency (excess) | Employer's covered payroll | Contributions as a % of covered payroll |
|--------------------|--|---|---|-----------------------------------|--|
| 2025 | \$ 12,311 | \$ 12,311 | \$ - | \$ 850,112 | 1.45% |

(1) This schedule is intended to present 10 years of information. Starting in 2025, Virginia Peninsula Regional Jail Authority provided contributions related to the defined contribution component of the VRS Hybrid Plan for participating employees. Additional years will be presented as the information becomes available.

See accompanying notes and independent auditor's report.

Virginia Peninsula Regional Jail Authority
Schedule of Employer's Share of Retiree Healthcare OPEB Liability (1) (2)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

| Measurement date as of June 30, | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| Employer's proportion of the County's Retiree Healthcare OPEB liability | 5.53% | 5.53% | 5.31% | 5.31% | 7.28% | 7.28% | 7.55% | 7.55% |
| Employer's proportionate share of the County's Retiree Healthcare OPEB liability | \$ 203,268 | \$ 190,165 | \$ 212,102 | \$ 233,805 | \$ 431,660 | \$ 380,391 | \$ 444,951 | \$ 418,156 |
| Fiduciary net position as a % of total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Expected average remaining service years of all participants | 6 | 5 | 5 | 5 | 6 | 6 | 7 | 7 |

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

Virginia Peninsula Regional Jail Authority
Schedule of Employer's Share of Net Group Life Insurance (GLI) OPEB Liability
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1) *

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Employer's proportion of the net GLI OPEB liability | 0.0193% | 0.0187% | 0.0186% | 0.02096% | 0.02476% | 0.02539% | 0.02628% | 0.02673% |
| Employer's proportionate share of the net GLI OPEB liability | \$ 215,596 | \$ 225,111 | \$ 223,962 | \$ 244,032 | \$ 413,204 | \$ 413,163 | \$ 399,000 | \$ 403,000 |
| Employer's covered payroll | \$ 4,939,351 | \$ 4,390,442 | \$ 4,004,992 | \$ 4,258,877 | \$ 4,978,010 | \$ 4,855,641 | \$ 4,901,876 | \$ 4,894,773 |
| Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll | 4.36% | 5.13% | 5.59% | 5.73% | 8.30% | 8.51% | 8.14% | 8.23% |
| Plan fiduciary net position as a % of total GLI OPEB liability | 73.41% | 69.30% | 67.21% | 67.45% | 52.64% | 52.00% | 51.22% | 48.86% |

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

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

Virginia Peninsula Regional Jail Authority
Schedule of Employer OPEB Contributions
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1)

| OPEB - Group Life Insurance | | | | | |
|------------------------------------|--|---|---|-----------------------------------|--|
| Fiscal Year | Actuarially determined contribution | Contributions in relation to actuarially determined contribution | Contribution deficiency (excess) | Employer's covered payroll | Contributions as a % of covered payroll |
| 2025 | \$ 24,731 | \$ 24,731 | \$ - | \$ 5,239,603 | 0.47% |
| 2024 | 26,475 | 26,475 | - | 4,939,351 | 0.54% |
| 2023 | 23,533 | 23,533 | - | 4,390,442 | 0.54% |
| 2022 | 21,467 | 21,467 | - | 4,004,992 | 0.54% |
| 2021 | 22,828 | 22,828 | - | 4,258,877 | 0.54% |
| 2020 | 26,085 | 26,085 | - | 4,978,010 | 0.52% |
| 2019 | 25,444 | 25,444 | - | 4,855,641 | 0.52% |
| 2018 | 25,686 | 25,686 | - | 4,901,876 | 0.52% |

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

See accompanying notes and independent auditor's report.

Virginia Peninsula Regional Jail Authority
Notes to Required Supplemental Information
Year ended June 30, 2025

1) Pension, OPEB Group Life Insurance, OPEB Retiree Healthcare - Changes of Benefit Terms

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

2) Pension and OPEB Group Life Insurance - Changes of Assumptions

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

3) OPEB Retiree Healthcare - Trust Arrangement and Funding Policy

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

4) OPEB Retiree Healthcare - Changes of Assumptions

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

| Measurement Date | Discount Rate |
|-----------------------------|--------------------------|
| June 30, 2017 | 3.58% |
| June 30, 2018 | 3.62% |
| June 30, 2019 | 3.13% |
| June 30, 2020 | 2.45% |
| June 30, 2021 | 1.92% |
| June 30, 2022 | 3.69% |
| June 30, 2023 | 3.86% |
| June 30, 2024 | 3.97% |

Supplementary Information

Virginia Peninsula Regional Jail Authority

Combining Statement of Net Position

June 30, 2025

| | General Fund | Work Release Fund | Canteen Fund | Total |
|---|-----------------------------|------------------------------|--------------------------|-----------------------------|
| Assets | | | | |
| Cash and short-term investments | \$ 11,035,741 | \$ 209,242 | \$ 290,288 | \$ 11,535,271 |
| Due from other governmental units | 660,005 | 3,228 | - | 663,233 |
| Accounts receivable | 21,847 | - | 8,509 | 30,356 |
| Lease receivable: | | | | |
| Due within one year | 3,706 | - | - | 3,706 |
| Due in more than one year | 49,043 | - | - | 49,043 |
| Capital assets, net: | | | | |
| Nondepreciable | 881,571 | - | - | 881,571 |
| Depreciable, net | 10,762,730 | - | - | 10,762,730 |
| Net pension asset | 6,954,138 | - | - | 6,954,138 |
| Total assets | <u>30,368,781</u> | <u>212,470</u> | <u>298,797</u> | <u>30,880,048</u> |
| Deferred Outflows of Resources | | | | |
| Deferred pension outflows | 508,266 | - | - | 508,266 |
| Deferred retiree healthcare OPEB outflows | 17,318 | - | - | 17,318 |
| Deferred GLI OPEB outflows | 67,010 | - | - | 67,010 |
| Total deferred outflows of resources | <u>592,594</u> | <u>-</u> | <u>-</u> | <u>592,594</u> |
| Total assets and deferred outflows of resources | <u><u>\$ 30,961,375</u></u> | <u><u>\$ 212,470</u></u> | <u><u>\$ 298,797</u></u> | <u><u>\$ 31,472,642</u></u> |
| Liabilities | | | | |
| Accounts payable | \$ 237,359 | \$ 3,309 | \$ 1,260 | \$ 241,928 |
| Interest payable | 1,376 | - | - | 1,376 |
| Unearned revenue | 800 | - | - | 800 |
| Accrued payroll | 15,886 | - | - | 15,886 |
| Long-term liabilities: | | | | |
| Due within one year | 846,465 | - | - | 846,465 |
| Due in more than one year | 1,510,645 | - | - | 1,510,645 |
| Total liabilities | <u>2,612,531</u> | <u>3,309</u> | <u>1,260</u> | <u>2,617,100</u> |
| Deferred Inflows of Resources | | | | |
| Deferred leases inflows | 48,028 | - | - | 48,028 |
| Deferred pension inflows | 652,032 | - | - | 652,032 |
| Deferred retiree healthcare OPEB inflows | 97,595 | - | - | 97,595 |
| Deferred GLI OPEB inflows | 72,181 | - | - | 72,181 |
| Total deferred inflows of resources | <u>869,836</u> | <u>-</u> | <u>-</u> | <u>869,836</u> |
| Net Position | | | | |
| Net investment in capital assets | 10,960,255 | - | - | 10,960,255 |
| Restricted for pensions | 6,954,138 | - | - | 6,954,138 |
| Unrestricted | 9,564,615 | 209,161 | 297,537 | 10,071,313 |
| Total net position | <u>27,479,008</u> | <u>209,161</u> | <u>297,537</u> | <u>27,985,706</u> |
| Total liabilities, deferred inflows of resources, and net position | <u><u>\$ 30,961,375</u></u> | <u><u>\$ 212,470</u></u> | <u><u>\$ 298,797</u></u> | <u><u>\$ 31,472,642</u></u> |

See independent auditor's report.

Virginia Peninsula Regional Jail Authority
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2025

| | General Fund | Work Release Fund | Canteen Fund | Total |
|---|----------------------|--------------------------|---------------------|-------------------|
| Operating Revenues | | | | |
| Fees from member jurisdictions | \$ 7,536,043 | \$ - | \$ - | 7,536,043 |
| Commonwealth of Virginia | 6,639,287 | - | - | 6,639,287 |
| Federal government | 130,106 | - | - | 130,106 |
| Fees, commissions, and sales | 841,734 | 58,819 | 78,752 | 979,305 |
| Miscellaneous | 194,723 | - | - | 194,723 |
| Total operating revenues | 15,341,893 | 58,819 | 78,752 | 15,479,464 |
| Operating Expenses | | | | |
| Salaries and benefits | 7,856,006 | - | - | 7,856,006 |
| Contractual services | 2,243,822 | - | - | 2,243,822 |
| Depreciation and amortization (Note 3) | 965,979 | - | - | 965,979 |
| Building, field, and equipment maintenance | 757,772 | - | - | 757,772 |
| Utilities | 568,391 | - | - | 568,391 |
| Food supplies | 513,053 | - | - | 513,053 |
| Medical supplies | 301,103 | - | - | 301,103 |
| Other supplies | 335,908 | 24,842 | - | 360,750 |
| Fiscal agent fee | 144,288 | - | - | 144,288 |
| Transportation | 63,057 | - | - | 63,057 |
| Insurance | 107,334 | - | - | 107,334 |
| Staff and inmate clothing | 136,753 | - | - | 136,753 |
| Dues, memberships, and training | 34,182 | - | - | 34,182 |
| Software | 62,321 | - | - | 62,321 |
| Leases and rentals | 25,485 | - | - | 25,485 |
| Inmate betterment | - | - | 83,947 | 83,947 |
| Indigent expenses | - | - | 17,977 | 17,977 |
| Total operating expenses | 14,115,454 | 24,842 | 101,924 | 14,242,220 |
| Operating income (loss) | 1,226,439 | 33,977 | (23,172) | 1,237,244 |
| Nonoperating Revenues (Expenses) | | | | |
| Interest income | 393,668 | - | - | 393,668 |
| Interest expense | (18,839) | - | - | (18,839) |
| Gain on sale of capital assets (Note 3) | 15,329 | - | - | 15,329 |
| Net nonoperating revenue (expenses) | 390,158 | - | - | 390,158 |
| Changes in net position | 1,616,597 | 33,977 | (23,172) | 1,627,402 |
| Net Position, beginning of year, as previously presented | 26,161,609 | 175,184 | 320,709 | 26,657,502 |
| Restatement - change in accounting principle (Note 11) | (299,198) | - | - | (299,198) |
| Net Position, beginning of year, as restated (Note 11) | 25,862,411 | 175,184 | 320,709 | 26,358,304 |
| Net Position, end of year | <u>\$ 27,479,008</u> | <u>\$ 209,161</u> | <u>\$ 297,537</u> | <u>27,985,706</u> |

See independent auditor's report.

Statistical Section (Unaudited)

Virginia Peninsula Regional Jail Authority
State Revenue and Per Diems
Last 10 Fiscal Years

Table 1

| Year | State revenue | Percentage of operational expenses | State per diems | Local average daily population |
|-------------|--------------------------|---|----------------------------|---|
| 2025 | \$ 6,639,287 | 47.0% | \$ 890,884 | 362.4 |
| 2024 | 6,366,248 | 49.0% | 739,776 | 327.0 |
| 2023 | 5,455,985 | 46.0% | 649,705 | 313.0 |
| 2022 | 5,256,285 | 51.0% | 795,566 | 356.0 |
| 2021 | 5,142,006 | 47.0% | 814,292 | 355.6 |
| 2020 | 5,065,076 | 45.0% | 806,620 | 411.0 |
| 2019 | 4,664,685 | 43.0% | 380,837 | 464.7 |
| 2018 | 4,632,069 | 38.0% | 349,608 | 498.4 |
| 2017 | 4,528,078 | 38.0% | 362,183 | 487.5 |
| 2016 | 4,695,429 | 41.0% | 521,954 | 437.6 |

Virginia Peninsula Regional Jail Authority
Medical and Food Costs
Last 10 Fiscal Years

Table 2

| Year | Medical services and supplies | | Food and food supplies | |
|-------------|--------------------------------------|--------------------------------|-------------------------------|--------------------------------------|
| | Amount | Average cost per inmate | Amount | Average daily cost per inmate |
| 2025 | \$ 2,384,317 | \$ 6,579 | \$ 513,053 | \$ 3.93 |
| 2024 | 2,380,330 | 7,279 | 424,219 | 3.55 |
| 2023 | 2,196,694 | 7,018 | 390,171 | 3.42 |
| 2022 | 1,323,775 | 3,718 | 445,589 | 3.43 |
| 2021 | 963,405 | 2,709 | 429,845 | 3.31 |
| 2020 | 1,029,618 | 2,505 | 439,652 | 3.04 |
| 2019 | 721,432 | 1,552 | 482,978 | 2.85 |
| 2018 | 1,121,049 | 2,249 | 511,538 | 2.81 |
| 2017 | 1,091,232 | 2,238 | 498,159 | 2.80 |
| 2016 | 1,073,147 | 2,452 | 530,172 | 3.31 |

Compliance Section

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

To the Board of Directors
Virginia Peninsula Regional Jail Authority
Williamsburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the “Specifications”), the financial statements of the business-type activities and the aggregate remaining fund information of the Virginia Peninsula Regional Jail Authority (the “Authority”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 24, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Richmond, Virginia
October 24, 2025