

Virginia Peninsula Regional Jail Authority

Basic Financial Statements and Supplementary Information

(With Reports of Independent Auditor Thereon)

As of and for Year Ended June 30, 2026

Virginia Peninsula Regional Jail Authority

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Cherry Bekaert LLP
Your Guide Forward

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, 2026, 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, financial position of the business-type activities and aggregate remaining fund information of the Authority, as of June 30, 2026, 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 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 Other 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 Other 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 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 12, 2026, 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.

Cherry Bekaert LLP

Richmond, Virginia
October 12, 2026

As management of the Virginia Peninsula Regional Jail Authority (the Authority), we offer readers of the Authority's financial statements this management discussion and analysis (MD&A). The MD&A is a narrative overview and analysis of the financial statements of the Authority for the fiscal year ended June 30, 2026, focusing on why amounts changed from the prior year. It should be read in conjunction with the Authority's financial statements following this section and the notes to the financial statements.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements consist of the following:

- The *Statement of Net Position* presents information on the Authority's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Authority's financial position is improving or deteriorating. However, it is also important to consider other nonfinancial factors, such as changes in economic conditions, population, service area growth, and new or changed legislation.
- The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Authority's 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.
- The *Statement of Cash Flows* presents information on how the Authority's cash and short-term investments increased or decreased during the current fiscal year.
- The *Notes to the Financial Statements* provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The Authority uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements.

The Authority reports the Inmate Fund as a custodial fund in a separate *Statement of Fiduciary Net Position* and a *Statement of Changes in Fiduciary Net Position*. The Inmate Fund accounts for resources held by the Authority on behalf of inmates. Because the resources are held for the benefit of the individuals outside the Authority and are not available to support the Authority's programs, the Inmate Fund is excluded from the Authority's other financial statements.

Financial Summary and Detailed Analysis

Statements of Net Position

	6/30/2026	6/30/2025	$ Change from FY2025	% Change from FY2025
Other assets	$ 11,342,022	$ 12,281,609	$ (939,587)	-7.7%
Capital assets, net	12,598,007	11,644,301	953,706	8.2%
Net pension asset	8,180,278	6,954,138	1,226,140	17.6%
Total assets	32,120,307	30,880,048	1,240,259	4.0%
Total deferred outflows of resources	549,255	592,594	(43,339)	-7.3%
Total assets and deferred outflows of resources	$ 32,669,562	$ 31,472,642	$ 1,196,920	3.8%
Other liabilities	$ 1,202,764	$ 1,106,455	$ 96,309	8.7%
Long-term liabilities	1,575,616	1,510,645	64,971	4.3%
Total liabilities	2,778,380	2,617,100	161,280	6.2%
Total deferred inflows of resources	1,198,416	869,836	328,580	37.8%
Net position:				
Net investment in capital assets	12,119,256	10,960,255	1,159,001	10.6%
Restricted	8,180,278	6,954,138	1,226,140	17.6%
Unrestricted	8,393,232	10,071,313	(1,678,081)	-16.7%
Total net position	28,692,766	27,985,706	707,060	2.50%
Total liabilities, deferred inflows of resources, and net position	$ 32,669,562	$ 31,472,642	$ 1,196,920	3.8%

The ($939,587) decrease in other assets is primarily due to less cash at June 30, 2026, which was used to purchase capital assets. The change in capital assets is discussed in the Capital Asset section. The increase in the net pension asset reflects the plan's actual experience, which differed from expectations, and is based on the most recent actuarial valuation.

Total liabilities increased by $161,280 in fiscal year 2026, due to an increase in accounts payable and compensated absences.

For fiscal year 2026, deferred outflows of resources decreased by $(43,339) and deferred inflows of resources increased by $328,580. These deferred outflows and inflows of resources consisted of employer contributions subsequent to the measurement date, changes in assumptions, changes in proportion, and differences between expected and actual experience and between projected and actual earnings on plan investments related to the Authority's pension and OPEB plans.

At June 30, 2026, the Authority's net position reflects an increase of $707,060 due to the changes discussed above as well as the results of operations presented in the Statements of Revenues, Expenses, and Changes in Net Position discussed in the following section.

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

	6/30/2026	6/30/2025*	$ Change from FY2025	% Change from FY2025
Operating revenues:				
Fees from member jurisdictions	$ 8,150,280	$ 7,536,043	$ 614,237	8.2%
Other governments	828,690	890,884	(62,194)	-7.0%
Other	1,169,052	1,174,028	(4,976)	-0.4%
Total operating revenues	10,148,022	9,600,955	547,067	5.7%
Operating expenses:				
Salaries and benefits	8,955,280	7,856,006	1,099,274	14.0%
Contractual services	2,813,427	2,388,110	425,317	17.8%
Other	4,105,906	3,998,104	107,802	2.7%
Total operating expenses	15,874,613	14,242,220	1,632,393	11.5%
Operating loss	(5,726,591)	(4,641,265)	(1,085,326)	23.4%
Noncapital subsidies	6,178,152	5,878,509	299,643	100.0%
Operating loss and noncapital subsidies	451,561	1,237,244	(785,683)	100.0%
Total nonoperating revenues (expenses), net	255,499	390,158	(134,659)	-34.5%
Change in net position	707,060	1,627,402	(920,342)	-56.6%
Net position, beginning of year	27,985,706	26,358,304	1,627,402	6.2%
Net position, end of year	$ 28,692,766	$ 27,985,706	$ 707,060	2.5%

**The Authority implemented GASB Statement No. 103 in fiscal year 2026, which changed the presentation and classification of certain financial statement amounts, but not the recognition or measurement of those amounts. Accordingly, certain prior year amounts have been reclassified to conform to the current year presentation.*

Fiscal year 2026 results were primarily influenced by the following factors: an increase in revenues from the member jurisdictions and Commonwealth of Virginia, an increase in personnel costs tied to the Authority's initiative to recruit and retain qualified staff, and raising costs of providing medical care to inmates.

Capital Asset and Long-Term Financing

Capital Assets

	6/30/2026	6/30/2025
Nondepreciable	$ 2,125,646	$ 881,571
Depreciable, net	10,472,361	10,762,730
Capital assets, net	$ 12,598,007	$ 11,644,301

During fiscal year 2026, the Authority purchased vehicles for staff use, fencing along the rear perimeter of the property, walk-in coolers, a boiler expansion tank, a water-cooled chiller, and water softeners.

The Authority disposed of a kitchen recycler and controls with natural gas upgrades. The net effect of this activity and depreciation expense collectively reflects the increase of $953,706 in capital assets from 2025. Additional information on capital assets can be found in Note 4 of the basic financial statements.

Long-Term Financing Activity

Below is a summary of the Authority's long-term financing activity as of June 30, 2026, and 2025, respectively.

	Balance 6/30/2025	Balance 6/30/2025
Financed purchases	$ 477,177	$ 680,428
Lease payable	1,574	3,618
Total	$ 478,751	$ 684,046

Additional information on long-term financing can be found in Note 5 to the basic financial statements.

Currently Known Facts, Decisions, or Conditions

The Authority will continue to face challenges in the upcoming year in staff recruitment and retention. Fiscal year 2027 is expected to have higher utility, medical and pharmaceutical, and contractual services costs due to rising costs for inmate care and for the upkeep of an aging facility. The fiscal year 2027 approved budget for the Authority is $17,528,188 and reflects a decrease of ($128,839) from fiscal year 2026 primarily due to fewer, less expensive capital projects.

Request for Financial Information

This financial report is designed to provide 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, 2026

Assets		
Cash and short-term investments (Note 2)	$	10,453,452
Due from other governmental units		764,454
Accounts receivable		68,228
Lease receivable (Note 3):		
Due within one year		4,467
Due in more than one year		51,421
Capital assets, net (Note 4):		
Nondepreciable		2,125,646
Depreciable, net		10,472,361
Net pension asset (Note 6)		8,180,278
Total assets		32,120,307
Deferred Outflows of Resources		
Deferred pension outflows (Note 6)		473,154
Deferred retiree healthcare OPEB outflows (Note 7)		8,605
Deferred GLI OPEB outflows (Note 7)		67,496
Total deferred outflows of resources		549,255
Total assets and deferred outflows of resources	$	32,669,562
Liabilities		
Accounts payable	$	310,386
Interest payable		1,012
Unearned revenue		84
Accrued payroll		20,526
Long-term liabilities (Note 5):		
Due within one year		870,756
Due in more than one year		1,575,616
Total liabilities		2,778,380
Deferred Inflows of Resources		
Deferred lease inflows (Note 3)		47,514
Deferred pension inflows (Note 6)		1,020,101
Deferred retiree healthcare OPEB inflows (Note 7)		72,932
Deferred GLI OPEB inflows (Note 7)		57,869
Total deferred inflows of resources		1,198,416
Net Position		
Net investment in capital assets		12,119,256
Restricted for pensions		8,180,278
Unrestricted		8,393,232
Total net position		28,692,766
Total liabilities, deferred inflows of resources, and net position	$	32,669,562

See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2026

Operating Revenues		
Fees from member jurisdictions	$	8,150,280
Commonwealth of Virginia		828,690
Fees, commissions, and sales		954,620
Miscellaneous		214,432
Total operating revenues		10,148,022
Operating Expenses		
Salaries and benefits		8,955,280
Contractual services		2,813,427
Depreciation and amortization (Note 4)		951,688
Building, field, and equipment maintenance		814,325
Utilities		578,581
Food supplies		526,377
Medical supplies		284,162
Other supplies		377,959
Transportation		80,516
Insurance		91,764
Staff and inmate clothing		143,281
Dues, memberships, and training		39,548
Software		71,380
Leases and rentals		27,646
Inmate betterment		97,922
Indigent expenses		20,757
Total operating expenses		15,874,613
Operating loss		(5,726,591)
Noncapital Subsidies		
Commonwealth of Virginia		6,167,455
Federal government		10,697
Total noncapital subsidies		6,178,152
Operating income and noncapital subsidies		451,561
Other Nonoperating Revenues (Expenses)		
Interest income		405,288
Interest expense		(14,621)
Loss on disposal of capital assets (Note 4)		(135,168)
Total other nonoperating revenue (expenses), net		255,499
Change in net position		707,060
Net Position, beginning of year		27,985,706
Net Position, end of year	$	28,692,766

See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority
Statements of Cash Flows
Year Ended June 30, 2026

Cash flows from operating activities:		
Cash received from customers	$	10,115,002
Cash payments to suppliers for goods and services		(5,900,417)
Cash payments for personnel services		(9,509,790)
Net cash used in operating activities		(5,295,205)
Cash flows from noncapital financing subsidies:		
Noncapital subsidies		6,072,079
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(2,040,562)
Principal payments on debt		(203,251)
Payment of lease liabilities		(2,044)
Interest paid		(14,985)
Net cash used in capital and financing activities		(2,260,842)
Cash flows from investment activities:		
Lease payments received, net of remeasurement		(3,139)
Interest received		405,288
Net cash provided by investing activities		402,149
Decrease in cash and short-term investments		(1,081,819)
Cash and short-term investments, beginning of year		11,535,271
Cash and short-term investments, end of year	$	10,453,452
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(5,726,591)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization		951,688
Pension recovery, net of employer contributions		(822,959)
Retiree healthcare OPEB expense, net of employer contributions		(48,035)
Group life insurance OPEB expense, net of employer contributions		(46,424)
Lease income, net of remeasurement		(514)
Changes in operating assets and liabilities:		
Receivables		(33,020)
Payables		68,458
Accrued payroll		4,640
Unearned revenue		(716)
Compensated absences		358,268
Total adjustments		431,386
Net cash used in operating activities	$	(5,295,205)

See accompanying notes to financial statements.

Virginia Peninsula Regional Jail Authority

Statement of Fiduciary Net Position

June 30, 2026

	Inmate Fund
Assets	
Cash and short-term investments	$ 48,860
Liabilities	
Accounts payable	$ 22,956
Amounts held for others	8,777
Due to other funds	14,780
Total liabilities	$ 46,513
Net Position	
Unrestricted	$ 2,347

See independent auditor's report.

Virginia Peninsula Regional Jail Authority

Statement of Changes in Fiduciary Net Position

Period Ended June 30, 2026

	Inmate Fund
Additions	
Inmate contributions	$ 485,113
Deductions	
Inmate expenses	484,086
Change in net position	1,027
Net position, beginning of year	1,320
Net position, end of year	$ 2,347

See independent auditor's report.

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, Virgina, 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 utilizes the economic resources measurement focus and the accrual basis of accounting similar to an enterprise fund. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. Enterprise funds are used to account for activities that are financed and operated similar to those often found in the private sector. Enterprise funds distinguish operating revenues and expenses from noncapital subsidies and other nonoperating revenues and expenses. Nonoperating revenues and expenses are any (1) contributions to permanent and term endowments; (2) finance related revenues and expenses; (3) gains and losses from disposals of capital assets and inventory; (4) investment income and expenses; and (5) subsidies received and provided. A subsidy represents amounts received from or provided to another party if it is unrelated to the services provided by the Authority and keeps fees charged at the same amount or lower if the subsidy was not received. Revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as 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 as shown below.

Asset Class	Threshold
Land and Land Leases	All
Land improvements, Easements, Intangibles, Equipment, Vehicles, Equipment Leases, and Subscriptions	$ 10,000
Building improvements and infrastructure	$ 25,000
Buildings and Building Leases	$ 50,000

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.

1) Summary of Significant Accounting Policies, Continued

When capital assets are sold or retired, the cost and related accumulated depreciation/amortization, if applicable, are removed from the accounts, and any resulting gain or loss on disposal is included in other nonoperating revenues (expenses). Depreciation and amortization of capital assets is calculated on the straight-line basis over the following estimated useful lives:

Intangibles	5 years
Furniture, equipment, and vehicles	3-12 years
Equipment lease	1-6 years
Buildings and improvements	10-40 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.

1) Summary of Significant Accounting Polices, Continued

Leases

Lessee: The Authority is a lessee for a noncancellable lease 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.

1) Summary of Significant Accounting Policies, Continued

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.

Adoption of New Accounting Statements

For fiscal year 2026, the Authority implemented the following standards issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 103, *Financial Reporting Model Improvements*: The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement achieves those objectives by improving the quality of the analysis of changes from the prior year, which enhances the relevance of that information. The requirements for the separate presentation of unusual or infrequent items provide clarity regarding which items should be reported separately from other inflows and outflows of resources. The definitions of operating revenues and expenses and of nonoperating revenues and expenses replace accounting policies that vary from government to government, thereby improving comparability. The addition of a subtotal for operating income (loss) and noncapital subsidies improves the relevance of information provided in the financial statements. As a result of the implementation of this statement, the Authority has improved presentations of the MD&A and the Statement of Revenues, Expenses, and Changes in Net Position.
- GASB Statement No. 104, Disclosure of Certain Capital Assets: The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The statement requires that lease assets, intangible right-to-use assets, subscription assets, and other intangible assets be disclosed separately in the capital asset note disclosures. The statement also requires additional disclosures for assets held for sale. These disclosure requirements are designed to improve consistency and comparability between governments. The Authority does not have assets held for sale, and the Authority's disclosures provide information on capital asset types in conformity with this statement. As a result, the implementation of this statement had no material impact on the Authority's financial statements.
- GASB Statement No. 105, *Subsequent Events*: The primary objective of this statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued.

1) Summary of Significant Accounting Policies, Continued

This statement describes the date the financial statements are available to be issued as the date at which the financial statements are complete in a form and format that complies with GAAP and approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This statement also requires the date through which subsequent events have been evaluated to be disclosed. This statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. Further information on the Authority's subsequent events can be found in Note 11.

2) Cash and Short-Term Investments

The Authority's cash and short-term investments at June 30, 2026, consisted of the following:

	Authority	Fiduciary Fund
Bank deposits	$ 605,505	$ 48,860
Short-term investments	9,847,947	-
Total	$ 10,453,452	$ 48,860

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, 2026, were as follows:

Investment Type	Amount	Maturity	Rated
LGIP (amortized cost)	$ 9,847,947	1 day	AAAm

Investment Policy

The Authority utilizes the County's Investment Policy (Policy), which is enforced by the County's Treasurer. 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 that invest exclusively in securities specifically permitted under the Policy, and the State Treasurer's Local Government Investment Pool (LGIP), which measures its investments at amortized cost. The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP.

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, Federal Agency obligations, registered money market mutual funds, LGIP, bank deposits	100% maximum
Repurchase agreements	50% maximum
Bankers' acceptances	40% maximum
Commercial paper	35% maximum
Negotiable certificates of deposit/bank notes, 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.

2) Cash and Short-Term Investments, Continued

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.

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, LGIP, each bank deposit institution	100% maximum
Each money market mutual fund	50% maximum
Each federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the 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. The operating fund core portfolio will be invested in permitted investments with a stated maturity of no more than five years from the date of purchase. To control the volatility of the core portfolio, the Treasurer will determine a duration target, not to exceed three years.

Custodial Credit Risk

The Policy requires 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, 2026, the Authority's investments are held in a bank's trust department in its name.

3) 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 ends in February 2036. During the fiscal year ended June 30, 2026, the lease was remeasured due to a significant change in the estimated lease payments. The Authority recognized $6,566 of lease revenue and $2,494 of interest revenue during fiscal year 2026. As of June 30, 2026, the lease receivable was $55,888, and deferred inflows of resources was $47,514, 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
2027	$ 4,467	$ 1,615	$ 6,082
2028	4,602	1,480	6,082
2029	4,742	1,340	6,082
2030	4,887	1,195	6,082
2031	5,443	1,045	6,488
2032-2036	31,747	2,314	34,061
Total	$ 55,888	$ 8,989	$ 64,877

4) Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2026.

	Balances July 1, 2024	Increases	Decreases	Balances June 30, 2025
Capital assets, nondepreciable:				
Land and land improvements	$ 881,571	$ -	$ -	$ 881,571
Construction in progress	-	1,244,075	-	1,244,075
Total capital assets, nondepreciable	881,571	1,244,075	-	2,125,646
Capital assets, depreciable:				
Land improvements	248,261	273,750	-	522,011
Intangibles	80,050	-	-	80,050
Buildings	30,323,697	-	216,924	30,106,773
Building improvements	502,923	287,550	-	790,473
Furniture and equipment	1,427,525	64,081	43,371	1,448,235
Equipment lease	11,140	-	-	11,140
Vehicles	653,504	171,106	-	824,610
Total capital assets, depreciable	33,247,100	796,487	260,295	33,783,292
Less accumulated depreciation:				
Land improvements	29,648	14,694	-	44,342
Intangibles	49,658	7,760	-	57,418
Buildings	20,926,581	762,301	83,285	21,605,597
Building improvements	52,371	21,481	-	73,852
Furniture and equipment	884,299	81,794	41,842	924,251
Equipment lease	7,749	1,937	-	9,686
Vehicles	534,064	61,721	-	595,785
Total accumulated depreciation	22,484,370	951,688	125,127	23,310,931
Total capital assets, depreciable, net	10,762,730	(155,201)	135,168	10,472,361
Net capital assets	$ 11,644,301	$ 1,088,874	$ 135,168	$ 12,598,007

5) Long-Term Liabilities

A summary of the Authority's changes in long-term liabilities for the year ended June 30, 2026, is as follows:

	Balance 7/1/2025	Increases	Decreases	Balance 6/30/2026	Due Within One Year
Compensated absences*	$ 1,254,200	$ 358,268	$ -	$ 1,612,468	$ 655,143
Financed purchases	680,428	-	203,251	477,177	214,039
Lease payable	3,618	-	2,044	1,574	1,574
Retiree healthcare OPEB	203,268	-	32,085	171,183	-
Group life insurance OPEB	215,596	-	31,626	183,970	-
Total	$ 2,357,110	$ 358,268	$ 269,006	$ 2,446,372	$ 870,756

**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, 2026, the net book value of the capital assets purchased under this agreement was $263,495 and the related interest payable was $1,012.

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 $157,213 at June 30, 2026. The annual requirements under these agreements are as follows:

Year Ended	Energy Efficient		Radios		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2027	$ 163,039	$ 10,433	$ 51,000	$ 1,040	$ 214,039	$ 11,473
2028	173,251	5,679	-	-	173,251	5,679
2029	89,887	962	-	-	89,887	962
Total	$ 426,177	$ 17,074	$ 51,000	$ 1,040	$ 477,177	$ 18,114

5) Long-Term Liabilities, Continued

Lease Payable

The Authority leases a postage machine that runs through March 2027 with a 3.0% discount rate annually. As of June 30, 2026, the lease payable was $1,574. The Authority made quarterly principal and interest payments of $531. The value of the right-to-use asset as of June 30, 2026, was $11,140 and the accumulated amortization was $9,687. The future lease payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 1,574	$ 20	$ 1,594

6) 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 Authority's retirement plan and the additions to/deductions from the Authority's retirement plan's fiduciary net position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Employees Covered by Benefit Terms

As of the June 30, 2024 actuarial valuation, membership consisted of:

	Number
Inactive members or their beneficiaries currently receiving benefits	96
Inactive members:	
Vested	36
Non-vested	218
Active elsewhere in VRS	85
Total inactive members	339
Active members	95
Total	530

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.

6) Pensions, Continued

The Authority's contractually required contribution rate for the year ended June 30, 2026, was 7.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2024. 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 $473,154 and $399,143 for the years ended June 30, 2026, and June 30, 2025, 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 $10,315 for the year ended June 30, 2026. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $6,101 for the year ended June 30, 2026. The total Hybrid plan participant covered payroll totaled $1,031,500 for the year ended June 30, 2026.

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, 2025. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2024, rolled forward to the measurement date of June 30, 2025.

Actuarial Assumptions

The total pension liability for General Employees was based on an actuarial valuation as of June 30, 2024, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025.

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

Mortality rates: Non-Metro - Non-Hazardous Duty (15% of deaths are assumed to be service-related)

- Pre-Retirement: Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement: Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement: Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors: Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally
- Mortality Improvement: Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of the MP-2021 rates

Long-Term Expected Rate of Return

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

6) Pensions, Continued

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%	6.00%	2.11%
Fixed Income	16.00%	5.70%	0.81%
Credit Strategies	16.00%	8.21%	1.31%
Real Assets	15.00%	7.10%	1.07%
Private Equity	15.00%	8.60%	1.29%
PIP - Private Onvestment Partnership	1.00%	7.95%	0.08%
Diversifying Stratrgies	6.00%	6.82%	0.41%
Cash	2.00%	4.07%	0.08%
Leverage	-3.00%	4.57%	-0.14%
Total	100.00%	** Expected arithmetic nominal return	7.02%

** The above allocation provides a one-year expected return of 7.027% (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 7.06%, 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, 2025, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2024, actuarial valuations. From July 1, 2025, 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, 2024	$ 18,391,627	$ 25,345,765	$ (6,954,138)
Changes for the year:			
Service cost	1,255,891	-	1,255,891
Interest	1,291,929	-	1,291,929
Change in Assumptions	(88,711)		(88,711)
Differences between expected and actual experience	(377,065)	-	(377,065)
Contributions - employer	-	399,143	(399,143)
Contributions - employee	-	253,418	(253,418)
Net investment income	-	2,670,085	(2,670,085)
Benefit payments, including refunds of employee contributions	(1,015,649)	(1,015,649)	-
Administrative expenses	-	(15,155)	15,155
Other changes	-	693	(693)
Net changes	1,066,395	2,292,535	(1,226,140)
Balances at June 30, 2024	$ 19,458,022	$ 27,638,300	$ (8,180,278)

6) 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	$ (5,754,085)	$ (8,180,278)	$ (10,185,892)

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

For the year ended June 30, 2026, the Authority recognized pension expense (recovery) of ($349,805). At June 30, 2026, 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	$ -	$ 127,353
Change in Assumptions	-	29,962
Net difference between projected and actual earnings on plan investments	-	862,786
Employer contributions subsequent to measurement date	473,154	-
Total	$ 473,154	$ 1,020,101

The $473,154 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, 2027. 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
2027	$ (169,366)
2028	(322,506)
2029	(333,833)
2030	(194,396)
Total	$ (1,020,101)

Pension Plan Data

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

7) 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 50 years of age with 15 years of service and be enrolled in the County's medical plan prior to retirement.

7) 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 2026, 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 and plans to continue to fund the plan on a pay-as-you-go cost basis.

Actuarial Methods and Assumptions

For the actuarial valuation at January 1, 2026 (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 4.81% for June 30, 2025, for the unfunded liability. Benefits are discounted based on an index rate for S&P Municipal Bond 20 Year High Grade Rate Index.

For the actuarial valuation dated January 1, 2026, the medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The current valuation uses the 2026 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 2035	20.00%
Health share of GDP resistance point	18.50%
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 5.85%-3.50% (general) and 5.25%-3.50% (public safety) based on years of service. The valuation assumed that 40% of participants currently with coverage will elect coverage upon retirement and that 30% of participants electing coverage at retirement will elect coverage for their spouse.

Mortality decrements used in the January 1, 2026, valuation:

- Active
  - General: SOA Pub-2010 General Employees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement scale MP-2021
  - LEOS: SOA Pub-2010 Public Safety Employees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement scale MP-2021
- Healthy Retirees and Covered Spouses
  - General: SOA Pub-2010 General Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement scale MP-2021
  - LEOS: SOA Pub-2010 Public Safety Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement scale MP-2021

7) Other Postemployment Benefits (OPEB), Continued

- Disabled Retirees:
  - General: SOA Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement scale MP-2021
  - LEOS: SOA Pub-2010 Public Safety Disabled Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement Scale MP-2021

Changes in Assumptions Since Prior Valuation

- The per capita cost assumption was updated based on claims and enrollment information through December 31, 2025 as well as the fiscal year 2026 premium rates provided by the County.
- The healthcare cost trend assumption was updated based on the 2026 Getzen model released by the Society of Actuaries (SOA).
- The decrement and salary scale assumptions were updated based on those developed for VRS in their 2025 experience study.
- The discount rate was updated to 4.81%, the S&P Municipal Bond 20 Year High Grade Rate Index rate as of June 30, 2025.

Retiree Healthcare OPEB Liability

At June 30, 2026, the Authority reported a retiree healthcare OPEB liability of $171,183 for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2026, retiree healthcare OPEB liability was measured as of June 30, 2025, and was determined by an actuarial valuation performed January 1, 2026. 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, 2026, the Authority's proportion of the County's retiree healthcare OPEB liability was 5.34%.

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 4.81%, 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 (3.81%) or one percentage point higher (5.81%) than the current rate:

	1% Decrease (3.81%)	Current Discount (4.81%)	1% Increase (5.81%)
Retiree Healthcare OPEB Liability	$ 186,932	$ 171,183	$ 156,728

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	$ 152,040	$ 171,183	$ 193,711

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

For the year ended June 30, 2026, the Authority recognized retiree healthcare OPEB expense (recovery) of ($43,403).

7) Other Postemployment Benefits (OPEB), Continued

At June 30, 2026, 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	$ -	$ 48,607
Changes of assumptions	2,172	16,647
Change in proportion	6,433	7,678
Total	$ 8,605	$ 72,932

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
2027	$ (21,617)
2028	(13,152)
2029	(13,155)
2030	(8,382)
2031	(8,021)
Total	$ (64,327)

Virginia Retirement System - Group Life Insurance (GLI) OPEB

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

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. The plan is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional GLI 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.

Contributions

The contribution requirements for the GLI Program are governed by § 51.1-506 and § 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution.

7) Other Postemployment Benefits (OPEB), Continued

Each employer's contractually required employer contribution rate for the year ended June 30, 2026, was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the Authority were $29,308 and $24,731 for the years ended June 30, 2026, and June 30, 2025, respectively.

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, 2025, and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2024, and rolled forward to the measurement date of June 30, 2025. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2025, relative to the total of the actuarially determined employer contributions for all participating employers.

June 30, 2026 proportionate share of liability	$183,970
June 30, 2025 proportion	0.01912%
June 30, 2024 proportion	0.01932%
June 30, 2025 expense (recovery)	($17,070)

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, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 32,636	$ 3,463
Net difference between projected and actual investment earnings on OPEB Plan investments	-	25,744
Changes of assumptions	-	6,019
Changes in proportionate share	5,552	22,643
Employer contributions subsequent to the measurement date	29,308	-
Total	$ 67,496	$ 57,869

The $29,308 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2027.

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

Year Ended	Increase (Reduction) to OPEB Expense
2027	$ (13,684)
2028	(7,327)
2029	(105)
2030	341
2031	1,094
Total	$ (19,681)

7) Other Postemployment Benefits (OPEB), Continued

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2024, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025:

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

Mortality rates used for the VRS GLI OPEB plan is 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, 2025, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

Total GLI OPEB Liability	$	4,433,282
Plan Fiduciary Net Position		3,471,094
Net GLI OPEB Liability	$	962,188
Plan Fiduciary Net Position as a % of the Total GLI OPEB Liability		78.30%

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

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 member contributions will be made in accordance with the VRS funding policy and at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2025, 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, which was 100% of the actuarially determined contribution rate. From July 1, 2025, on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI's OPEB' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the 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	$ 310,350	$ 183,970	$ 82,012

7) Other Postemployment Benefits (OPEB), Continued

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's fiduciary net position is available in the separately issued VRS 2025 Annual Comprehensive Financial Report. A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/publications/?category=annual, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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 $157,060 for the year ended June 30, 2026.

At June 30, 2026, the County owed $15,052 to the Authority, which was included in "Due from other governmental units", and the Authority owed the County $2,434, which was included in "Accounts Payable", on the Statement of Net Position. The amounts due to and from the related entities resulted from payroll and PCard transactions.

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. In February 2026, the Authority entered into the second of five (5) optional, separate one (1) year extensions. Per the agreement, the Authority pays a fixed monthly installment plus $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 $2,299,546 in fiscal year 2026 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, 2026, 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) Subsequent Events

The Authority has evaluated subsequent events through the date the financial statements were available to be issued, October 12, 2026, and determined that there are no subsequent events requiring adjustment or disclosure in the financial statements.

* * * * *

Required Supplementary Information

Virginia Peninsula Regional Jail Authority

Schedule of Changes in the Net Pension Asset and Related Ratios

Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	$ 1,255,891	$ 888,023	$ 781,857	$ 755,584	$ 738,262	$ 912,785	$ 844,875	$ 824,692	$ 815,014	$ 774,740
Interest	1,291,929	1,167,299	1,142,547	1,089,754	1,022,024	957,453	934,640	924,417	857,808	840,404
Differences between expected and actual experience	(377,065)	412,244	(773,702)	(244,698)	(1,307,315)	(193,385)	(765,242)	(898,906)	37,356	(886,823)
Changes in assumptions	(88,711)	-	-	-	630,952	-	429,432	-	(99,812)	-
Benefit payments, including refunds of employee contributions	(1,015,649)	(962,463)	(817,898)	(871,675)	(800,521)	(639,970)	(582,480)	(825,831)	(491,774)	(467,611)
Net change in total pension liability	1,066,395	1,505,103	332,804	728,965	283,402	1,036,883	861,225	24,372	1,118,592	260,710
Total pension liability, beginning	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
Total pension liability, ending	$ 19,458,022	$ 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
Plan fiduciary net position										
Contributions - employer	$ 399,143	$ 274,083	$ 243,717	$ 347,828	$ 372,453	$ 464,044	$ 455,929	$ 429,876	$ 429,635	$ 552,590
Contributions - employee	253,418	239,209	212,405	192,726	207,308	242,443	238,811	242,861	242,980	244,984
Net investment income	2,670,085	2,270,417	1,447,236	(22,556)	4,960,282	338,814	1,114,739	1,147,713	1,683,653	242,074
Benefit payments, including refunds of employee contributions	(1,015,649)	(962,463)	(817,898)	(871,675)	(800,521)	(639,970)	(582,480)	(825,831)	(491,774)	(467,611)
Administrative expense	(15,155)	(15,047)	(14,388)	(14,195)	(12,224)	(11,285)	(10,577)	(9,799)	(9,348)	(7,839)
Other	693	470	583	528	469	(408)	(707)	(1,024)	(1,516)	(100)
Net change in plan fiduciary net position	2,292,535	1,806,669	1,071,655	(367,344)	4,727,767	393,638	1,215,715	983,796	1,853,630	564,098
Plan fiduciary net position, beginning	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
Plan fiduciary net position, ending	$ 27,638,300	$ 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
Net pension asset	$ (8,180,278)	$ (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)
Plan fiduciary net position as a percentage of the total pension liability	142.04%	137.81%	139.40%	135.72%	144.30%	116.51%	122.12%	120.92%	113.91%	109.28%
Covered payroll	$ 5,239,603	$ 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
Net pension asset as a percentage of the total covered payroll	(156.12)%	(140.79)%	(151.52)%	(147.66)%	(164.60)%	(51.54)%	(66.09)%	(58.23)%	(38.71)%	(23.52)%

* 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
2026	$ 473,154	$ 473,154	-	$ 6,209,384	7.62%
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%

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
2026	$ 16,416	$ 16,416	$ -	$ 1,031,500	1.59%
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,	2025	2024	2023	2022	2021	2020	2019	2018	2017
Employer's proportion of the County's Retiree Healthcare OPEB liability	5.34%	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	$ 171,183	$ 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%	0.00%
Expected average remaining service years of all participants	6	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.

See accompanying notes and independent auditor's report.

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) *

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Employer's proportion of the net GLI OPEB liability	0.0191%	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	$ 183,970	$ 215,596	$ 225,111	$ 223,962	$ 244,032	$ 413,204	$ 413,163	$ 399,000	$ 403,000
Employer's covered payroll	$ 5,239,603	$ 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	3.51%	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	78.30%	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.

See accompanying notes and independent auditor's report.

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
2026	$ 29,308	$ 29,308	$ -	$ 6,209,384	0.47%
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, 2026

1) Retiree Healthcare OPEB - 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.

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

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

3) Retiree Healthcare OPEB - Changes of Assumptions

The following 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%
June 30, 2025	4.81%

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

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

Non-Metro Locality Employers – General Employees

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

Supplementary Information

Virginia Peninsula Regional Jail Authority

Combining Statement of Net Position

June 30, 2026

	General Fund	Work Release Fund	Canteen Fund	Total
Assets				
Cash and short-term investments	$ 9,975,968	$ 226,970	$ 250,514	$ 10,453,452
Due from other governmental units	760,247	4,207	-	764,454
Accounts receivable	47,424	-	20,804	68,228
Lease receivable:				
Due within one year	4,467	-	-	4,467
Due in more than one year	51,421	-	-	51,421
Capital assets, net:				
Nondepreciable	2,125,646	-	-	2,125,646
Depreciable, net	10,472,361	-	-	10,472,361
Net pension asset	8,180,278	-	-	8,180,278
Total assets	31,617,812	231,177	271,318	32,120,307
Deferred Outflows of Resources				
Deferred pension outflows	473,154	-	-	473,154
Deferred retiree healthcare OPEB outflows	8,605	-	-	8,605
Deferred GLI OPEB outflows	67,496	-	-	67,496
Total deferred outflows of resources	549,255	-	-	549,255
Total assets and deferred outflows of resources	$ 32,167,067	$ 231,177	$ 271,318	$ 32,669,562
Liabilities				
Accounts payable	$ 303,962	$ 2,003	$ 4,421	$ 310,386
Interest payable	1,012	-	-	1,012
Unearned revenue	84	-	-	84
Accrued payroll	20,526	-	-	20,526
Long-term liabilities:				
Due within one year	870,756	-	-	870,756
Due in more than one year	1,575,616	-	-	1,575,616
Total liabilities	2,771,956	2,003	4,421	2,778,380
Deferred Inflows of Resources				
Deferred leases inflows	47,514	-	-	47,514
Deferred pension inflows	1,020,101	-	-	1,020,101
Deferred retiree healthcare OPEB inflows	72,932	-	-	72,932
Deferred GLI OPEB inflows	57,869	-	-	57,869
Total deferred inflows of resources	1,198,416	-	-	1,198,416
Net Position				
Net investment in capital assets	12,119,256	-	-	12,119,256
Restricted for pensions	8,180,278	-	-	8,180,278
Unrestricted	7,897,161	229,174	266,897	8,393,232
Total net position	28,196,695	229,174	266,897	28,692,766
Total liabilities, deferred inflows of resources, and net position	$ 32,167,067	$ 231,177	$ 271,318	$ 32,669,562

See independent auditor's report.

Virginia Peninsula Regional Jail Authority

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2026

	General Fund	Work Release Fund	Canteen Fund	Total
Operating Revenues				
Fees from member jurisdictions	$ 8,150,280	$ -	$ -	8,150,280
Commonwealth of Virginia	828,690	-	-	828,690
Fees, commissions, and sales	821,613	44,968	88,039	954,620
Miscellaneous	214,432	-	-	214,432
Total operating revenues	10,015,015	44,968	88,039	10,148,022
Operating Expenses				
Salaries and benefits	8,955,280	-	-	8,955,280
Contractual services	2,813,427	-	-	2,813,427
Depreciation and amortization	951,688	-	-	951,688
Maintenance	814,325	-	-	814,325
Utilities	578,581	-	-	578,581
Food supplies	526,377	-	-	526,377
Medical supplies	284,162	-	-	284,162
Other supplies	353,004	24,955	-	377,959
Transportation	80,516	-	-	80,516
Insurance	91,764	-	-	91,764
Staff and inmate clothing	143,281	-	-	143,281
Dues, memberships, and training	39,548	-	-	39,548
Software	71,380	-	-	71,380
Leases and rentals	27,646	-	-	27,646
Inmate betterment	-	-	97,922	97,922
Indigent expenses	-	-	20,757	20,757
Total operating expenses	15,730,979	24,955	118,679	15,874,613
Operating income (loss)	(5,715,964)	20,013	(30,640)	(5,726,591)
Noncapital Subsidies				
Commonwealth of Virginia	6,167,455	-	-	6,167,455
Federal government	10,697	-	-	10,697
Total noncapital subsidies	6,178,152	-	-	6,178,152
Operating income (loss) and noncapital subsidies	462,188	20,013	(30,640)	451,561
Other Nonoperating Revenues (Expenses)				
Interest income	405,288	-	-	405,288
Interest expense	(14,621)	-	-	(14,621)
Loss on disposal of capital assets	(135,168)	-	-	(135,168)
Total other nonoperating revenue (expenses), net	255,499	-	-	255,499
Changes in net position	717,687	20,013	(30,640)	707,060
Net Position, beginning of year	27,479,008	209,161	297,537	27,985,706
Net Position, end of year	$ 28,196,695	$ 229,174	$ 266,897	28,692,766

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
2026	$ 6,996,145	44.0%	$ 828,690	339.8
2025	6,639,287	47.0%	890,884	362.4
2024	6,366,248	49.0%	739,776	327.3
2023	5,455,985	46.0%	649,705	312.9
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

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
2026	$ 2,740,402	$ 8,065	$ 526,377	$ 4.24
2025	2,384,317	6,579	513,053	3.88
2024	2,380,330	7,273	424,219	3.55
2023	2,196,694	7,020	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	2.93
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

Compliance Section

Cherry Bekaert LLP
Your Guide Forward

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States 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, 2026, 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 12, 2026.

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 12, 2026