Williamsburg Area Transit Authority

Basic Financial Statements and Supplementary Information

(With Independent Auditor's Report Thereon)

June 30, 2020

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Williamsburg Area Transit Authority
Authority Officials
June 30, 2020

Board of Directors

Kurt Reisweber.. Chairman

Mark Bellamy ....Vice Chair

Paul Holt .... Member

Carolyn Murphy .... Member

Denise Kirschbaum... Member

Bill Horacio.. Non-Voting Member

Steven Hennessee .... Non-Voting Member

Other Officials

Zach Trogdon...Executive Director

Joshua Moore ....Deputy Director

Jennifer D. Tomes..Treasurer

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Williamsburg Area Transit Authority
Williamsburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Williamsburg Area Transit Authority (Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor's consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Williamsburg Area Transit Authority as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 6, and budgetary comparison, pension, and other post-employment benefit information, and related notes, on pages 48 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context and disclosing additional plan information. 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 audits 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.

Other 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 introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2020, 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 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 the Authority's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 6, 2020

This section of the Williamsburg Area Transit Authority's (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2020.

Financial Highlights

The Authority's net position decreased by ($144,385) in fiscal year 2020, which represents a (1.3%) decrease from fiscal year 2019. This was primarily a result of the use of net position to address the financial impacts of the novel coronavirus (COVID-19) during fiscal year 2020.

Overview of the Financial Statements

This report has two components - Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements. The basic financial statements include both government-wide and fund financial statements and the notes to the financial statements. Government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the Authority's operations are considered to be governmental because the sources of funding include contributions from members, federal and state grants, and fare collections.

The government-wide and fund financial statements are distinguished as follows:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.
- The remaining statements are fund financial statements that focus on individual components of the Authority's operations. In addition, governmental fund statements indicate how general government services, such as the operation and maintenance, were financed in the short-term, as well as the amounts that remain for future spending.

The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is net position. Over time, increases and decreases in net position are one indicator of whether the Authority's financial health is improving or deteriorating. However, it is also important to consider other nonfinancial factors, such as changes in economic conditions, population and service area growth, and new or changed legislation.

Financial Analysis

Summary Statements of Net Position

	6/30/2020	6/30/2019
Current and other assets	$ 2,960,563	$ 5,505,324
Capital assets, net	8,256,306	8,821,120
Total assets	11,216,869	14,326,444
Deferred outflows of resources	242,599	71,374
Total assets and deferred outflows	$ 11,459,468	$ 14,397,818
Current liabilities	$ 336,047	$ 3,340,400
Long-term liabilities	278,995	83,022
Total liabilities	615,042	3,423,422
Deferred inflows of resources	16,192	1,777
Net position:		
Net investment in capital assets	8,256,306	8,821,120
Restricted	65,118	43,850
Unrestricted	2,506,810	2,107,649
Total net position	10,828,234	10,972,619
Total liabilities, deferred inflows and net position	$ 11,459,468	$ 14,397,818

Total assets decreased by ($3,109,575) from fiscal year 2019, mainly due to a decrease in amounts due from other governmental units. Total liabilities decreased by ($2,808,380) from fiscal year 2019, primarily due to a decrease in accounts payable after payment was made to purchase six new buses.

The Authority's net position was $10,828,234 at June 30, 2020, with the largest portion (76.2%) reflecting its investment in capital assets. These capital assets are used to provide services to customers; consequently, these assets are not available for future spending. Restricted net position of $65,118 (0.6%) represents proffers to be used for New Town, other post-employment benefits, and funds related to a vehicle sale. The remaining portion of net position is unrestricted (23.2%) to be used for future spending.

Summary Statements of Activities

	6/30/2020	6/30/2019
Program expenses:		
Personnel expenses	$ 3,497,674	$ 3,383,834
Materials and contractual services	4,080,477	2,778,887
Depreciation	1,150,494	1,064,348
Total program expenses	8,728,645	7,227,069
Program revenues:		
Operating grants and contributions	7,046,030	5,553,282
Capital grants and contributions	767,133	3,099,552
Charges for services	676,895	959,442
Total program revenues	8,490,058	9,612,276
Net program revenues (expenses)	(238,587)	2,385,207
General revenues:		
Miscellaneous	97,428	70,998
Loss on disposal of capital assets	(3,226)	-
Total general revenues	94,202	70,998
Change in net position	(144,385)	2,456,205
Net position, beginning of year	$ 10,972,619	$ 8,516,414
Net position, end of year	$ 10,828,234	$ 10,972,619

Program expenses were higher than the previous year by $1,501,576, mainly due to costs incurred related to the passenger ferry grant program during fiscal year 2020.

Charges for services include monies received for bus fares and contracted service revenue received from the College of William and Mary. Charges for services decreased in fiscal year 2020 due to changes in the Authority's bus routes to address COVID-19. Operating and capital grants and contributions include federal and state grants for reimbursement of transportation costs and services, as well as member contributions. The Authority's revenues from grants and contributions decreased in fiscal year 2020 due to a decrease in State grant reimbursements.

Total net position decreased by ($144,385) for the fiscal year ended June 30, 2020, primarily attributable to the circumstances noted above.

Summary Schedule of Budget-to-Actual - Governmental Fund

	Original Budget	Revised Budget	Actual
Revenues	$ 8,702,536	$ 8,913,762	$ 8,504,324
Expenditures	$ 8,702,536	$ 8,973,762	$ 8,234,314
Net change in fund balance	$ -	$ (60,000)	$ 270,010

The Authority has an adopted budget and during fiscal year 2020, the budgeted expenses increased by $271,226, primarily due to an increase in costs for a capital project to replace compressed natural gas fuel tanks.

Capital Assets

At the end of fiscal years 2020 and 2019, the Authority had invested $8,256,306 and $8,821,120, respectively, in net capital assets. The main factor for the decrease was depreciation in fiscal year 2020. Further information about the Authority's capital assets can be found in Note 4 to the financial statements.

Requests for Financial Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds 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.

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Basic Financial Statements

Williamsburg Area Transit Authority
Statement of Net Position
June 30, 2020

Assets and Deferred Outflows of Resources

Assets		
Cash and short-term investments (Note 2)	$	1,933,934
Due from other governmental units (Note 3)		1,007,663
Accounts receivable		9,004
Due from James City County (Note 8)		294
Health insurance credit OPEB plan (Note 7)		9,668
Capital assets, net (Note 4)		
Non-depreciable		160,226
Depreciable		8,096,080
Total assets		11,216,869
Deferred outflows of resources		
Deferred pension plan (Note 6)		128,425
Deferred group life insurance OPEB plan (Note 7)		87,176
Deferred health insurance credit OPEB plan (Note 7)		3,142
Deferred retiree healthcare OPEB plan (Note 7)		12,104
Deferred Virginia local disability program OPEB plan (Note 7)		11,752
Total deferred outflows of resources		242,599
Total assets and deferred outflows of resources	$	11,459,468

Liabilities, Deferred Inflows of Resources and Net Position

Liabilities		
Accounts payable	$	258,727
Salaries payable		77,320
Long-term liabilities (Note 5)		
Due within one year		105,063
Due in more than one year		173,932
Total liabilities		615,042
Deferred inflows of resources		
Deferred group life insurance OPEB plan (Note 7)		5,117
Deferred Virginia local disability program OPEB plan (Note 7)		253
Deferred retiree healthcare OPEB plan (Note 7)		10,822
Total deferred inflows of resources		16,192
Net position		
Net investment in capital assets		8,256,306
Restricted		65,118
Unrestricted		2,506,810
Total net position		10,828,234
Total liabilities, deferred inflows of resources and net position	$	11,459,468

See accompanying notes to the financial statements.

Williamsburg Area Transit Authority
Statement of Activities
Year ended June 30, 2020

Program expenses		
Personnel expenses	$	3,497,674
Materials and contractual services		4,080,477
Depreciation		1,150,494
Total program expenses		8,728,645
Program revenues		
Operating grants and contributions		7,046,030
Capital grants and contributions		767,133
Charges for services		676,895
Total program revenues		8,490,058
Net program revenues		(238,587)
General revenues		
Miscellaneous		97,428
Loss on disposal of assets		(3,226)
Total general revenues		94,202
Change in net position		(144,385)
Net position, beginning of year		10,972,619
Net position, end of year	$	10,828,234

See accompanying notes to the financial statements.

Williamsburg Area Transit Authority
Balance Sheet - Governmental Fund
June 30, 2020

Assets

Cash and short-term investments (Note 2)	$	1,933,934
Due from other governmental units (Note 3)		1,007,663
Accounts receivable		9,004
Due from James City County (Note 8)		294
Total assets	$	2,950,895

Liabilities, Deferred Inflows of Resources and Fund Balance

Liabilities		
Accounts payable	$	258,727
Salaries payable		77,320
Total liabilities		336,047
Deferred inflows of resources		
Unavailable revenue		161,181
Fund balance		
Restricted		55,450
Assigned		328,324
Unassigned		2,069,893
Total fund balance		2,453,667
Total liabilities, deferred inflows of resources and fund balance	$	2,950,895

Reconciliation of the balance sheet for governmental funds to the statement of net position for governmental activities:

Ending fund balance	$	2,453,667
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,256,306
Amounts receivable collected after 45 days are not available to pay for current period expenditures and therefore are deferred in the funds.		161,181
Compensated absences reported in governmental activities will not be paid with current financial resources and therefore are not reported in the funds.		(140,084)
Pension and OPEB liability and deferred inflow/outflow of resources are not due and payable in the current period and are not recorded in the governmental funds.		97,164
	$	10,828,234

See accompanying notes to the financial statements.

Williamsburg Area Transit Authority

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund

Year ended June 30, 2020

Revenues		
Intergovernmental:		
Commonwealth of Virginia		$ 2,239,829
Federal government		3,939,436
Local (member contributions):		
James City County	$ 708,761	
York County	381,000	
City of Williamsburg	375,975	
Total local (member contributions)		1,465,736
Local (non-member contributions)		85,000
Charges for services		676,895
Miscellaneous		97,428
Total revenues		8,504,324
Expenditures		
Salaries and benefits		3,564,931
Capital outlay		2,168,309
Repairs and maintenance		709,013
Fuel		398,860
Colonial Williamsburg bus operations		464,422
Contractual services		255,977
Supplies and materials		233,712
Leases/rentals (Note 9)		170,513
Fiscal agent services (Note 8)		82,129
Insurance		61,488
Other		40,567
Telecommunications		37,975
Clothing		28,828
Advertising		17,590
Total expenditures		8,234,314
Net change in fund balance		270,010
Fund balance, beginning of year		2,183,657
Fund balance, end of year		$ 2,453,667

See accompanying notes to the financial statements.

Williamsburg Area Transit Authority

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund (Continued)

Year ended June 30, 2020

Reconciliation of the statement of revenues, expenditures, and changes in fund balance of governmental funds to the statement of activities:

Net change in fund balance		$ 270,010
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between depreciation expense and capital outlay expenditures. The details of this difference are as follows:		
Depreciation expense		(1,150,494)
Capital outlay expenditures		588,906
Loss on disposal of capital assets		(3,226)
		(564,814)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenue increased by this amount in the current year.		83,162
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this difference are as follows:		
Compensated absences	$ (11,081)	
Pension deferred outflows	69,299	
OPEB asset, liability, and deferred outflows/inflows	9,039	
		67,257
Change in net position on statement of activities		$ (144,385)

See accompanying notes to the financial statements.

1) Summary of Significant Accounting Policies

The Williamsburg Area Transit Authority (Authority) was created as a political subdivision of the Commonwealth of Virginia by resolutions adopted in 2008. Members include the County of James City (County), the County of York, the City of Williamsburg, and the Colonial Williamsburg Foundation. The Authority is governed by the Board of Directors, consisting of five Board representatives appointed by the members.

The general purpose of the Authority is to provide transportation services throughout the member jurisdictions and areas owned and/or operated by Colonial Williamsburg.

Reporting Entity

The Authority is a legally separate organization, and the member jurisdictions cannot impose their will on the Authority. There is no potential financial benefit or burden in the relationship. Accordingly, the Authority is not considered a component unit of any other entity. The Authority has been determined to be a related organization of the County in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus.* The County is the fiscal agent for the Authority, and as such, the Authority has been included as a fiduciary fund in the County's comprehensive annual financial report.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the Authority's activities are considered to be governmental as they are principally supported by intergovernmental revenues. In the government-wide statement of net position, the governmental activities are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reflects both the gross and net cost per functional category that is otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. The program revenues must be directly associated with the function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted for the operation or capital requirements of a particular function. Other items not properly included among program revenues are reported as general revenues. Administrative overhead charges are allocated to the programs and included in direct expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants.

In the fund financial statements, financial transactions and accounts of the Authority are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. Given that the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

1) Summary of Significant Accounting Policies, Continued

Basis of Accounting and Measurement Focus

The fund financial statements of the governmental funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available to finance operations during the year. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, usually 45 days after year end. Expenditures are recorded when the related fund liability is incurred. Expenditures for debt service and compensated absences are recorded when the related liability is due and payable. In applying the modified accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of revenues. In one, eligibility requirements must be met before revenues are recognized. In the other, there are no eligibility requirements and resources are reflected as revenues at the time of receipt. Amounts received in advance for grants with eligibility requirements are recorded as unearned revenue until eligibility requirements are met.

The government-wide statements of net position and activities are accounted for on a flow of economic resources measurement focus and an accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these activities are included on the statement of net position. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

Budgets and Budgetary Accounting

The Authority is responsible for formulating their annual budget. The Executive Director will convene individual and group budget meetings internally at least annually. The Executive Director will then present a comprehensive budget package to the Board of Directors for approval.

The members of the Board of Directors are responsible for presenting the Authority's budget to their respective jurisdictions and representing the Authority in budget hearings, as needed, in the budget process.

The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgets are not legally required to be adopted.

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.

Investments

Investments are reported at fair value except for the position in Virginia's Local Government Investment Pool (LGIP) which in accordance with state law, is reported at amortized cost.

Capital Assets

Capital outlays are recorded as expenditures in the governmental funds and are capitalized at historical cost in the government-wide financial statements to the extent the Authority's capitalization threshold of $5,000 is met for assets other than land, licensed vehicles, and contributions. Capital outlays for land and licensed vehicles are recorded as capital assets at actual cost. Contributed capital assets are recorded as capital assets at acquisition value at the time received. Depreciation is recorded on capital assets in the government-wide financial statements.

1) Summary of Significant Accounting Policies, Continued

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the change in net position.

Depreciation of capital assets is calculated on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Improvements other than buildings	10-20 years
Infrastructure	20 years
Furniture and equipment	4-10 years
Vehicles	3-12 years

Compensated Absences

Authority employees are granted vacation time in varying amounts based on length of service. They may accumulate, subject to certain limitations, unused vacation leave and upon retirement, termination, or death may be compensated for certain amounts at their then current rates of pay. The current and non-current portions of accumulated annual vacation leave and sick leave estimated to be paid upon separation are recorded in the government-wide financial statements when earned. Expenditures for compensated absences are recorded in governmental funds when due and payable.

Fund Balance

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balances are reported according to the following categories, based on GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Nonspendable: amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted: amounts reported when constraints are placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) are imposed by law through constitutional provisions or enabling legislation.

Committed: amounts that require formal action of the Board of Directors by resolution that identifies the specific circumstances under which their resources may be expended.

Assigned*:* amounts that are constrained by the Authority's expressed intent to use resources for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given.

Unassigned: amounts designated for future expenditures.

Estimates

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

2) Cash and Short-Term Investments

The Authority's cash and investments at June 30, 2020 consisted of the following:

	Amount	Maturity
Bank deposits	$ 1,933,822	N/A
LGIP investment (amortized cost)	112	-
Total	$ 1,933,934	

Deposits with banks are fully covered by the 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*.

Investment Policy

The Authority utilizes the policies and procedures of the James City County Treasurer and consequently follows the County's investment policy. In accordance with the *Code of Virginia* and other applicable law, including regulations, the policy permits investments in U.S. government obligations, municipal obligations, commercial paper, and 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 (the Virginia 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 eligible security is as follows:

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

Credit Risk

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

At June 30, 2020, 100% of the Authority's portfolio was invested in the LGIP. LGIP is rated AAAm rated by Standard and Poor's.

2) Cash and Short-Term Investments, Continued

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order 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 exceptions on the following page:

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

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.

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

Custodial Credit Risk

The Policy requires all investment securities purchased by the Authority or held as collateral on deposits or investments shall be held by the Authority or by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction. As of June 30, 2020, all of the Authority's investments are held in a bank's trust department in the Authority's name.

3) Due from Other Governmental Units

Due from other governmental units consist of the following at June 30, 2020:

Federal (Dept. of Transportation)	$	975,466
Commonwealth of Virginia		31,186
Colonial Williamsburg Foundation		1,011
Total	$	1,007,663

4) Capital Assets

A summary of changes in capital assets for the fiscal year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Increase	Decrease	Balance June 30, 2020
Capital assets not being depreciated:				
Construction in progress	$ 2,771,628	$ 149,524	$ (2,760,926)	$ 160,226
Capital assets being depreciated:				
Land improvements - depreciable	-	55,349	-	55,349
Intangibles - depreciable	-	29,750	-	29,750
Buildings and improvements	413,478	42,965	-	456,443
Infrastructure	11,600	-	-	11,600
Furniture and equipment	1,834,414	150,474	(114,316)	1,870,572
Vehicles	17,062,596	2,921,770	(1,706,713)	18,277,653
Total capital assets being depreciated	19,322,088	3,200,308	(1,821,029)	20,701,367
Less accumulated depreciation:				
Land improvements - depreciable	-	1,615	-	1,615
Intangibles - depreciable	-	4,958	-	4,958
Buildings and improvements	140,503	23,308	-	163,811
Infrastructure	2,127	1,160	-	3,287
Furniture and equipment	1,511,228	154,888	(112,153)	1,553,963
Vehicles	11,618,738	964,565	(1,705,650)	10,877,653
Total accumulated depreciation	13,272,596	1,150,494	(1,817,803)	12,605,287
Total capital assets being depreciated, net	6,049,492	2,049,814	(3,226)	8,096,080
Capital assets, net	$ 8,821,120	$ 2,199,338	$ (2,764,152)	$ 8,256,306

Depreciation of $1,150,494 was charged for the year ended June 30, 2020.

5) Long-Term Liabilities

A summary of the Authority's long-term liability activity for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Retiree healthcare OPEB	$ 50,771	$ 4,093	$ -	$ 54,864	$ -
Group life insurance OPEB	-	80,387	-	80,387	-
Virginia local disability program OPEB	-	3,660	-	3,660	-
Compensated absences	129,003	191,551	180,470	140,084	105,063
Total	$ 179,774	$ 279,691	$ 180,470	$ 278,995	$ 105,063

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 net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of 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 a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

6) Pensions, Continued

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

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1
Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</td><td>About Plan 2
Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</td><td>About the Hybrid Retirement Plan
The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.
• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td></tr>
<tr><td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</td><td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</td></tr>
</table>

6) Pensions, Continued

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Non-Eligible Members* Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

6) Pensions, Continued

Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** *Defined Benefit Component:* Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. *Defined Contributions Component:* Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** *Defined Benefit Component:* Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. *Defined Contributions Component:* Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

6) Pensions, Continued

		Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** *Defined Benefit Component:* See definition under Plan 1. *Defined Contributions Component:* The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** *Defined Benefit Component:* **VRS:** The retirement multiplier for the defined benefit component is 1.00%.

6) Pensions, Continued

		For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. *Defined Contributions Component:* Not applicable.
Normal Retirement Age VRS: Age 65.	**Normal Retirement Age VRS:** Normal Social Security retirement age.	**Normal Retirement Age** *Defined Benefit Component:* **VRS:** Same as Plan 2. *Defined Contributions Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** *Defined Benefit Component:* **VRS:** Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90. *Defined Contributions Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of service credit.	**Earliest Reduced Retirement Eligibility** *Defined Benefit Component:* **VRS:** Age 60 with at least five years (60 months) of service credit. *Defined Contributions Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

6) Pensions, Continued

Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. *Eligibility:* For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. *Exceptions to COLA Effective Dates:* The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. *Eligibility:* Same as Plan 1. *Exceptions to COLA Effective Dates:* Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** *Defined Benefit Component:* Same as Plan 2. *Defined Contributions Component:* Not applicable. *Eligibility:* Same as Plan 1 and Plan 2. *Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2.

6) Pensions, Continued

• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** *Defined Benefit Component:* Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. *Defined Contributions Component:* Not applicable.

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 employer contribution rate for the year ended June 30, 2020, was 6.2% of covered employee compensation. This rate was based on an actuarially determined rate from the Virginia Retirement System.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $128,425 and $59,126 for the years ended June 30, 2020, and June 30, 2019, respectively.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Authority separated from the County's VRS plan in fiscal year 2019. Until actuarial studies specific to the Authority's pension plan are available, the Authority has no net pension liability or pension expense to record for the year ended June 30, 2020. In addition, due to the lack of an actuarial study, all disclosures concerning actuarial assumptions, expected rate of return on pension plan investments, and discount rate have been excluded.

At June 30, 2020, the Authority reported deferred outflows of resources related to pensions of $128,425. This amount resulted from the Authority's contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the fiscal year ending June 30, 2021.

Pension Plan Data

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

7) Other Post-employment Benefits (OPEB)

Multiple Employer Cost-Sharing Plan – Retiree Healthcare

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

Plan Description

Participants must be eligible to retire under VRS and must be full-time active employees who retire directly from the Authority and are at least 55 years of age with 15 years of service. 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 2020, the pre-Medicare retirees have a choice of two plans offered by Cigna. 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

The Authority does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the net retiree healthcare OPEB liability is based on contributions to the benefit plan on a pay-as-you-go cost basis. The data has been projected into the future based on the assumption that the current active population remains constant. Retirees contribute towards their health insurance premiums based on a blended rate and therefore, the Authority has an implicit rate obligation. The estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees. Retirees pay 100% of the published rates for individual and dependent coverage until age 65.

7) Other Post-Employment Benefits (OPEB), Continued

Actuarial Methods and Assumptions

For the actuarial valuation at January 1, 2020 (measurement date of June 30, 2019), the entry age normal funding method was used. The goal of this method is that the annual accrual (or normal cost) be a level percent of pay throughout an employee's career. This method requires a salary increase assumption. The normal cost percentage is equal to the present value of benefits divided by the present value of future salary determined when the employee was hired. The actuarial accrued liability is equal to the present value of benefits minus the normal cost percentage times the present value of future salaries at the valuation date.

The actuarial assumptions included calculations based on a discount rate of 3.13% for June 30, 2019, for the unfunded liability. Benefits are discounted based on an index rate for 20-year tax exempt general obligation (GO) municipal bonds with an average rating of AA/Aa or higher.

For the actuarial valuation dated January 1, 2020, the medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in October 2010 and updated in September 2019. The following assumptions were used as input variables into this model:

Inflation	2.50%
Rate of growth in real income/ GDP per capita	1.50%
Extra trend due to technology and other factors	1.10%
Expected health share of GDP in 2029	20.00%
Health share of GDP resistance point	25.00%
Year for limiting cost growth to GDP growth	2075

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

The actuarial assumptions included calculations based on salary increases of 3.15%-1.30% (general) and 2.55%-1.30% (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, 2020, valuation:

- Pre-Retirement
  - General: Pub-2010 General Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
  - LEOS: Pub-2010 Public Safety Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
- Post-Retirement
  - General: Pub-2010 General Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
  - LEOS: Pub-2010 Public Safety Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale

7) Other Post-Employment Benefits (OPEB), Continued

- Disabled:
  - General: Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
  - LEOS: Pub-2010 Public Safety Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale

Changes in Assumptions Since Prior Valuation

- Discount rate was updated to 3.15% (the latest 20-year municipal GO AA Index as of June 30, 2019).
- Mortality assumptions were updated to the latest SOA public sector experience study rates.
- Medical trend was updated based on SOA Long-Run Medical Cost Trend Model.

Retiree Healthcare OPEB Liability

At June 30, 2020, the Authority reported a retiree healthcare OPEB liability of $54,864 for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2020, retiree healthcare OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation performed January 1, 2020. 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, 2020, the Authority's proportion of the County's retiree healthcare OPEB liability was 1.05%.

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

The following presents the OPEB liability using the discount rate of 3.13%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current rate for the measurement date of June 30, 2019:

	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Retiree Healthcare OPEB Liability, June 30, 2019	$ 60,131	$ 54,864	$ 50,025

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

The following presents the net retiree healthcare OPEB liability using the health care cost trend rate of 4.00%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate for the June 30, 2019 measurement date:

	1% Decrease (3.00%)	Ultimate Trend Rate (4.00%)	1% Increase (5.00%)
Retiree Healthcare OPEB Liability, June 30, 2019	$ 48,449	$ 54,864	$ 62,429

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

For the year ended June 30, 2020, the Authority recognized retiree healthcare OPEB expense of $6,114. At June 30, 2020, deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB from the following sources were reported:

7) Other Post-Employment Benefits (OPEB), Continued

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 1,870	$ 5,858
Changes of assumptions	-	4,964
Change in proportion	10,234	-
Total	$ 12,104	$ 10,822

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB as of June 30, 2020 will be recognized in retiree healthcare OPEB expense as follows:

Year Ended	Increase to OPEB Expense
2021	$ 131
2022	131
2023	131
2024	129
2025	758
Thereafter	2
	$ 1,282

Multiple Employer Cost-Sharing Plan – Group Life Insurance

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

<u>Plan Description</u>

All full-time, salaried permanent employees of the Authority are automatically covered by the VRS Group Life Insurance Program upon employment. This 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB. The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out below:

7) Other Post-Employment Benefits (OPEB), Continued

Eligible Employees: the Group Life Insurance Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: City of Richmond, City of Portsmouth, City of Roanoke, City of Norfolk, and Roanoke City School Board. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts: the benefits payable under the Group Life Insurance Program have several components.

- Natural death benefit - equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental death benefit - double the natural death benefit.
- Other benefit provisions - the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

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

Minimum benefit amount and Cost-of-living adjustment (COLA): for covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,463 and $8,279 as of June 30, 2020 and 2019, respectively.

<u>Contributions</u>

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the years ended June 30, 2020 and 2019, was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the Authority were $10,850 for the year ended June 30, 2020.

<u>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</u>

At June 30, 2020, the Authority reported a liability of $80,387, for its proportionate share of the Net GLI OPEB liability. The Net GLI OPEB liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Authority's proportion of the Net GLI OPEB liability was based on the Authority's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019 and rolled forward to the measurement date of June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Authority's proportion was 0.004940%. The Authority was included with its fiscal agent in prior fiscal years, therefore, the Authority did not have its own proportion at June 30, 2018.

7) Other Post-Employment Benefits (OPEB), Continued

For the year ended June 30, 2020, the Authority recognized GLI OPEB expense of $14,226. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, 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	$	5,346	$	1,042
Net difference between projected and actual investment earnings on OPEB Plan investments		-		1,651
Changes of assumptions		5,075		2,424
Changes in proportionate share		65,905		-
Employer contributions subsequent to the measurement date		10,850		-
Total	$	87,176	$	5,117

The $10,850 reported as deferred outflows of resources related to the GLI OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended	Increase to OPEB Expense	
2021	$	12,653
2022		12,653
2023		13,352
2024		13,991
2025		14,019
Thereafter		4,541
Total	$	71,209

Actuarial Assumptions

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

Inflation	2.50%
Salary increases, including inflation	
General state employees	3.50% – 5.35%
Teachers	3.50% – 5.95%
SPORS employees	3.50% – 4.75%
VaLORS employees	3.50% – 4.75%
JRS employees	4.50%
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*

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

7) Other Post-Employment Benefits (OPEB), Continued

Mortality Rates:

	Pre-Retirement	*Post-Retirement*	*Post-Disablement*
General State Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.
Teachers	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.	RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females
SPORS Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.
VaLORS Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.
JRS Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

7) Other Post-Employment Benefits (OPEB), Continued

Mortality Rates:

	Pre-Retirement	*Post-Retirement*	*Post-Disablement*
Largest 10 Locality Employers - General Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.
Non-Largest 10 Locality Employers - General Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.
Largest 10 Locality Employers - Hazardous Duty Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.
Non-Largest 10 Locality Employers - Hazardous Duty Employees	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

General State Employees:

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

7) Other Post-Employment Benefits (OPEB), Continued

Teachers:

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

SPORS Employees:

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

VaLORS Employees:

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

JRS Employees:

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

7) Other Post-Employment Benefits (OPEB), Continued

Largest 10 Locality Employers – General Employees:

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

Non-Largest 10 Locality Employers – General Employees:

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

Largest 10 Locality Employers – Hazardous Duty Employees:

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

Non-Largest 10 Locality Employers – Hazardous Duty Employees:

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

7) Other Post-Employment Benefits (OPEB), Continued

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,390,238
Plan Fiduciary Net Position	1,762,972
Employers' Net GLI OPEB Liability (Asset)	$ 1,627,266
Plan Fiduciary Net Position as a % of the Total GLI OPEB Liability	52.00%

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

Long-Term Expected Rate of Return

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

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

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

7) Other Post-Employment Benefits (OPEB), Continued

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Authority's Proportionate Share 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 the Authority's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher(7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the Group Life Insurance Plan Net OPEB Liability	$ 105,606	$ 80,387	$ 59,935

Group Life Insurance Program Fiduciary Net Position

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

Agent Multiple Employer Plan – Health Insurance Credit Program

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

7) Other Post-Employment Benefits (OPEB), Continued

Plan Description

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

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

Eligible employees: The political subdivision retiree health insurance credit program was established July 1, 1993 for retired political subdivision employees or employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees of participating are enrolled automatically upon employment. They include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit amounts: The political subdivision's retiree health insurance credit program provides the following benefits for eligible employees:

- At retirement: For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month.
- Disability retirement: For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

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

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Authority's contractually required employer contribution rate for the year ended June 30, 2020 was 0.14% of covered employee compensation. Contributions from the Authority to the Political Subdivision Health Insurance Credit Program were $2,898 for the year ended June 30, 2020.

Long-Term Expected Rate of Return

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

7) Other Post-Employment Benefits (OPEB), Continued

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

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability (Asset):

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a) - (b)
Balances at June 30, 2018	$ -	$ -	$ -
Changes for the year:			
Service cost	-	-	-
Interest	-	-	-
Difference between expected and actual experience	-	-	-
Contributions - employer	-	1,335	(1,335)
Net investment income	-	32	(32)
Benefit payments	-	-	-
Administrative expense	-	(2)	2
Other changes	-	8,303	(8,303)
Net changes	-	9,668	(9,668)
Balances at June 30, 2019	$ -	$ 9,668	$ (9,668)

7) Other Post-Employment Benefits (OPEB), Continued

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
HIC OPEB liability (asset) as of June 30, 2020	$ (9,668)	$ (9,668)	$ (9,668)

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

For the year ended June 30, 2020, the Authority recognized HIC OPEB expense (recovery) of $(8,577).

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Authority's Health Insurance Credit Program from the following sources:

	6/30/2020	
	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual investment earnings on OPEB Plan investments	$ 244	$ -
Employer contributions subsequent to the measurement date	2,898	-
Total	$ 3,142	$ -

The $2,898 reported as deferred outflows of resources related to the HIC OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as an increase to the Net HIC OPEB Asset in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year ended	Increase to OPEB Expense
2021	$ 61
2022	61
2023	61
2024	61
2025	-
Thereafter	-
Total	$ 244

Health Insurance Credit Program Plan Data

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

7) Other Post-Employment Benefits (OPEB), Continued

Multiple Employer Cost-Sharing Plan – Virginia Local Disability Program

The VRS Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the VRS Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out below:

Eligible Employees: The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

Benefit Amounts: The Political Subdivision Employee Virginia Disability Local Program provides the following benefits for eligible employees:

- Short-term disability: The program provides a short-term disability benefit beginning after a seven calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related of work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.
- Long-term disability: The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes: Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP long-term care plan is a self-funded program that assists with the cost of covered long-term care services.

7) Other Post-Employment Benefits (OPEB), Continued

Contributions

The contribution requirement for active hybrid plan employees is governed by § 51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2020, was 0.72% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS Political Subdivision Employee Virginia Local Disability Program were $8,407 for the year ended June 30, 2020.

Virginia Local Disability Program (VLDP) OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At June 30, 2020, the Authority reported a liability of $3,660 for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2019, and the total VRS Political Subdivision Employee VLDP OPEB liability used to calculate the Net VRS Political Subdivision Employee VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Authority's proportion of the Net VLDP OPEB Liability was based on the Authority's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Authority's proportion of the VRS Political Subdivision Employee VLDP was 0.18063%. The Authority was included with its fiscal agent in prior fiscal years; therefore, the Authority did not have its own proportion at June 30, 2018.

For the year ended June 30, 2020, the Authority recognized VLDP OPEB expense of $4,585. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 1,835	$ 113
Changes of assumptions	105	140
Net difference between projected and actual investment earnings on OPEB Plan investments	13	-
Changes of proportions	1,392	-
Employer contributions subsequent to the measurement date	8,407	-
Total	$ 11,752	$ 253

The $8,407 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

7) Other Post-Employment Benefits (OPEB), Continued

Year ended	Increase (Decrease) to OPEB Expense
2021	$ 637
2022	635
2023	633
2024	637
2025	593
Thereafter	(43)
Total	$ 3,092

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	
Political Subdivision Employees	3.50% – 5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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

Mortality Rates:

Non-Largest 10 Locality Employers – General Employees

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

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

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

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

7) Other Post-Employment Benefits (OPEB), Continued

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

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	$ 3,989
Plan Fiduciary Net Position	1,962
Political Subdivision net VLDP OPEB Liability (Asset)	$ 2,027
Plan Fiduciary Net Position as a % of the Total Political Subdivision VLDP OPEB Liability	49.19%

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

Long-Term Expected Rate of Return

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

7) Other Post-Employment Benefits (OPEB), Continued

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

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

Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program 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, 2019 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB 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 Political Subdivision Employee VLDP OPEB liability.

Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the political subdivision's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net VLDP OPEB liability as of June 30, 2020	$ 4,208	$ 3,660	$ 3,180

7) Other Post-Employment Benefits (OPEB), Continued

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

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

8) Transactions with Related Parties

Certain financial management, accounting and other services are provided to the Authority by James City County. The following lists these services for the fiscal year ended June 30, 2020, which are reflected as expenditure/expenses on the Authority's financial statements.

Fiscal agent services				
Financial management and accounting	$	38,413		
Human Resources		20,382		
Treasurer		19,598		
Data processing		3,736	$	82,129
Radio maintenance				62,047
Purchasing				55,000
Telephone				1,200
	Total		$	200,376

James City County owes the Authority $294 at June 30, 2020.

9) Lease Commitments

The Authority leases from the City of Williamsburg (the City) the use of the Williamsburg Transportation Center as a HUB, where passengers can transfer to other public buses and have access to other transportation modes such as the Amtrak, Trailways/Greyhound, intercity buses, and taxis. In addition, the Authority leases office space at the Williamsburg Transportation Center from the City.

In May 2019, the Authority entered into an agreement with the City to combine the use of the HUB and the office space at the Williamsburg Transportation Center. The initial term of this agreement commenced on July 1, 2019 and will continue through June 30, 2024. This agreement shall automatically renew for an additional five twelve month renewal terms beginning on July 1 of the year following expiration of the initial term, unless written notice is given by either party. Under this agreement, the monthly costs consisted of $5,417 for the use of the HUB and $1,093 for the rent for the office space during fiscal year 2020. Over the next four years, the cost for use of the HUB will decrease annually in accordance with the agreement terms, and the cost for the rent of the office space will increase by 3% annually.

For fiscal year 2020, the Authority paid $78,113 to the City for the lease of the HUB and office space under this agreement. Future minimum payments for this lease are estimated as follows:

2021	$	68,506
2022		58,911
2023		49,329
2024		39,759
Total	$	216,505

The Authority also leases office space, dedicated vehicle parking, and its maintenance facility from the Colonial Williamsburg Foundation (the Foundation). Through ongoing agreements, the Authority has rented this property at a monthly cost of $7,700. During the year ended June 30, 2020, the Authority paid the Foundation $92,400 based on this agreement.

9) Lease Commitments, Continued

Future minimum lease payments to the Foundation are estimated to be $23,100 for fiscal year 2021. The lease of the Foundation's property terminated in September 2020, upon the completion of the Authority's purchase of this property. Additional information on the purchase is provided in Note 11.

10) Other Commitments

In March 2011, the Authority entered into a five-year agreement with First Transit, Inc. for vehicle maintenance services, and the agreement permits up to five one-year extensions. The agreement was renewed during 2020, with a 3% annual CPI increase for the fifth and final renewal. The actual amount billable monthly is dependent upon the number and type of vehicles serviced. Further, the contract allows for extra charges for fuel and for additional maintenance services provided beyond those described in the agreement, if such additional fees are approved in advance by the Authority. During the year ended June 30, 2020, the Authority paid First Transit, Inc. $1,211,442 for maintenance services and related charges under the terms of this agreement.

In December 2012, the Federal Transit Administration required that the Authority and the Colonial Williamsburg Foundation (the Foundation) modify their contracts with First Transit, Inc. to include additional regulations. The Authority modified its contract accordingly and, in fiscal year 2014, entered into a Memorandum of Agreement (MOA) with the Foundation in order for the Foundation's public fleet of vehicles to be included on the modified contract. The approval of this MOA resulted in amendments to the Authority's Lease and Purchase Option Agreement with the Foundation and its contract with First Transit, Inc. to incorporate the Foundation's public fleet. However, the MOA does not otherwise affect the current maintenance, billing, and payment procedures with First Transit, Inc., and the Foundation has agreed to assume any regulatory or audit expenses related to the operation of the public fleet.

11) Subsequent Event

In August 2020, the Authority agreed to a closing date of October 1, 2020, for the purchase of real property located at 7239 Pocahontas Trail, Williamsburg, VA, from the Colonial Williamsburg Foundation for $2,100,000 in accordance with a purchase agreement dated October 8, 2019. The Authority fully executed this purchase agreement and closed on this property on October 1, 2020, thereby terminating the aforementioned lease agreement.

12) COVID-19

During fiscal year 2020, the novel coronavirus disease (COVID-19) impacted the operational and financial activities of the Authority. COVID-19 resulted in losses of revenue due to bus route changes made by the Authority in response to the virus, decreases in ridership, and the suspension of fare collections. Beginning in March 2020, the Authority implemented additional cleaning and safety measures to help combat the virus and ensure safe and reliable transportation service for its staff and passengers.

Due to the COVID-19 emergency, Virginia's Department of Rail and Public Transportation provided additional operating assistance to transit agencies, and the Authority was allocated $216,075 of this funding. This emergency assistance and reductions in expenditures helped to offset part of the revenue losses that resulted from COVID-19 during fiscal year 2020.

The Authority also incurred $7,878 of operational expenses in response to the COVID-19 pandemic as of June 30, 2020, related to the purchase of personal protective equipment, sanitizer, and cleaning supplies.

In May 2020, the Authority was provided with $5,777,110 of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, for which the Authority must incur eligible expenditures and then apply for reimbursement. The Authority has developed plans to expend this funding and seek reimbursement during fiscal years 2021 through 2023. As a result, this CARES Act funding had no impact on the Authority's financial statements for fiscal year 2020 but will be reported in future fiscal years as eligible expenditures are incurred, funds are received, and recognition criteria are met.

12) COVID-19, Continued

The extent to which COVID-19 may impact the Authority's operations and financial condition in subsequent fiscal years will depend on future developments, which remain uncertain and cannot be predicted due to the evolving nature of this situation. As a result, the Authority cannot reasonably estimate the future impact of COVID-19 at this time, except as discussed regarding the CARES Act funding.

* * * * *

Required Supplementary Information

Williamsburg Area Transit Authority

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Unaudited) - Governmental Fund

Year ended June 30, 2020

	Original budget	Revised budget	Actual	Variance positive (negative)
Revenues				
Intergovernmental:				
Commonwealth of Virginia	$ 2,232,728	$ 2,471,203	$ 2,239,829	$ (231,374)
Federal government	3,924,232	4,150,232	3,939,436	(210,796)
Local (member contributions):				
James City County	708,761	708,761	708,761	-
York County	381,000	381,000	381,000	-
City of Williamsburg	375,975	375,975	375,975	-
Local Share Capital CWF/York	9,840	43,940	-	(43,940)
Local (non-member contributions)	85,000	85,000	85,000	-
Charges for services	965,000	677,651	676,895	(756)
Miscellaneous	20,000	20,000	97,428	77,428
Total revenues	8,702,536	8,913,762	8,504,324	(409,438)
Expenditures				
Salaries and benefits	3,957,703	3,955,703	3,564,931	390,772
Repairs and maintenance	856,957	803,662	709,013	94,649
Fuel	590,000	568,726	398,860	169,866
Capital outlay	1,831,490	2,187,285	2,168,309	18,976
Colonial Williamsburg bus operations	407,724	407,724	464,422	(56,698)
Contractual services	347,851	323,507	255,977	67,530
Supplies and materials	282,405	267,182	233,712	33,470
Leases/rentals	125,320	171,520	170,513	1,007
Fiscal agent services	86,162	86,162	82,129	4,033
Other	66,924	52,552	40,567	11,985
Insurance	50,000	50,000	61,488	(11,488)
Telecommunications	45,000	45,000	37,975	7,025
Advertising	25,000	25,000	17,590	7,410
Clothing	30,000	29,739	28,828	911
Total expenditures	8,702,536	8,973,762	8,234,314	739,448
Net change in fund balance	-	(60,000)	270,010	330,010
Fund balance, beginning of year	-	60,000	2,183,657	2,123,657
Fund balance, end of year	$ -	$ -	$ 2,453,667	$ 2,453,667

See independent auditor's report

Williamsburg Area Transit Authority
Schedule of Employer Pension Contributions (1)
Required Supplementary Information (Unaudited)

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
2020	$ 128,425	$ 128,425	$ -	$ 2,070,531	6.20%
2019	59,126	59,126	-	953,649	6.20%

(1) This schedule is intended to present 10 years of information. Williamsburg Area Transit Authority separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. Additional years will be presented as the information becomes available.

See accompanying notes to the required supplementary information and independent auditor's report.

Williamsburg Area Transit 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,	2019	2018	2017
Employer's proportion of the County's Retiree Healthcare OPEB liability	1.05%	0.86%	0.86%
Employer's proportionate share of the County's Retiree Healthcare OPEB liability	$ 54,864	$ 50,771	$ 47,640
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%
Expected average remaining service years of all participants	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 to required supplementary information.

Williamsburg Area Transit Authority
Schedule of Changes in the Net OPEB - Health Insurance Credit (HIC) Asset
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1) *

	2020
Total OPEB - HIC liability	
Service cost	$ -
Interest cost	-
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	-
Net change in total OPEB - HIC liability	-
Total OPEB - HIC liability, beginning	-
Total OPEB - HIC liability, ending (a)	$ -
Plan fiduciary net position - HIC	
Contributions - employer	1,335
Contributions - employee	-
Net investment income	32
Benefit payments, including refunds of employee contributions	-
Administrative expense	(2)
Other	8,303
Net change in plan fiduciary net position - HIC	9,668
Plan fiduciary net position - HIC, beginning	-
Plan fiduciary net position - HIC, ending (b)	9,668
Net OPEB - HIC liability (asset) (a) - (b)	$ (9,668)
Plan fiduciary net position - HIC as a percentage of the total OPEB - HIC liability (1)	-
Covered payroll (1)	$ 953,649
Net OPEB - HIC liability as a percentage of the total covered payroll (1)	(1.01)%

(1) This schedule is intended to present 10 years of information. Williamsburg Area Transit Authority separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. Additional years will be presented as the information becomes available and comparative data will be updated accordingly.

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

See accompanying notes and independent auditor's report.

Williamsburg Area Transit Authority
Schedule of Employer's Share of Net Group Life Insurance (GLI) OPEB Liability (1)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

	2020
Employer's proportion of the net GLI OPEB liability	0.00494%
Employer's proportionate share of the net GLI OPEB liability	$ 80,387
Employer's covered payroll	$ 968,999
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.30%
Plan fiduciary net position as a % of total GLI OPEB liability	52.00%

(1) This schedule is intended to present 10 years of information. Williamsburg Area Transit Authority separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. Additional years will be presented as the information becomes available.

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

Williamsburg Area Transit Authority
Schedule of Employer's Share of
Net Virginia Local Disability Program (VLDP) OPEB Liability (1)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

		2020
Employer's proportion of the net VLDP OPEB liability		0.18063%
Employer's proportionate share of the net VLDP OPEB liability	$	3,660
Employer's covered payroll	$	558,194
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll		0.66%
Plan fiduciary net position as a % of total VLDP OPEB liability		49.19%

(1) This schedule is intended to present 10 years of information. Williamsburg Area Transit Authority separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. 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.

Williamsburg Area Transit Authority
Schedule of Employer OPEB Contributions (1) (2)
Required Supplementary Information (Unaudited)

OPEB - Retiree Healthcare (2)

Fiscal Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)
2020	$ 6,114	$ -	$ 6,114
2019	4,576	-	4,576
2018	7,242	-	7,242

OPEB - Group Life Insurance (3)

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
2020	$ 10,850	$ 10,850	$ -	$ 2,070,531	0.52%
2019	4,997	4,997	-	968,999	0.52%

OPEB - Health Insurance Credit (3)

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
2020	$ 2,898	$ 2,898	$ -	$ 2,070,531	0.14%
2019	1,335	1,335	-	953,649	0.14%

OPEB - Virginia Local Disability Program (3)

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
2020	$ 8,407	$ 8,407	$ -	$ 1,167,639	0.72%
2019	4,019	4,019	-	558,194	0.72%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018 for OPEB retiree healthcare and fiscal year 2019 for OPEB group life insurance, health insurance credit, and Virginia Local Disability Program when the Williamsburg Area Transit Authority separated from James City County's VRS plan; additional years will be presented as the information becomes available.

(2) This OPEB plan does not depend on salary information.

(3) Williamsburg Area Transit Authority separated from the County's VRS plan in fiscal year 2019, and therefore, its contributions toward these OPEB plans commenced during that year. No actuarial valuation was performed for fiscal year 2019 for the Authority's specific plan, given that this was the transition year.

See accompanying notes to the required supplementary information and independent auditor's report.

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) Pensions and Retiree Healthcare, Group Life Insurance, Health Insurance Credit, and Virginia Local Disability Program OPEB - Changes of Benefit Terms

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

3) Pensions and Retiree Healthcare, Group Life Insurance, Health Insurance Credit, and Virginia Local Disability Program OPEB - Changes of Assumptions

The following change 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%

Health Insurance Credit and Virginia Local Disability Programs

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

All Others (Non-10 Largest) – General Employees

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

Group Life Insurance Program

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

General State Employees:

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

3) Pensions and Retiree Healthcare, Group Life Insurance, Health Insurance Credit, and Virginia Local Disability Program OPEB - Changes of Assumptions, Continued

Teachers:

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

SPORS Employees:

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

VaLORS Employees:

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

JRS Employees:

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

3) Pensions and Retiree Healthcare, Group Life Insurance, Health Insurance Credit, and Virginia Local Disability Program OPEB - Changes of Assumptions, Continued

Largest 10 Locality Employers – General Employees:

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

Non-Largest 10 Locality Employers – General Employees:

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

Largest 10 Locality Employers – Hazardous Duty Employees:

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

Non-Largest 10 Locality Employers – Hazardous Duty Employees:

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

See accompanying independent auditor's report.

Compliance

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

To the Board of Directors
Williamsburg Area Transit Authority
Williamsburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the major fund of the Williamsburg Area Transit Authority (the "Authority") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 6, 2020.

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

Compliance and Other Matters

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

Purpose of this Report

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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 6, 2020

SUMMARY OF COMPLIANCE MATTERS
June 30, 2020

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

- Cash and Investment Laws
- Local Retirement Systems
- Uniform Disposition of Unclaimed Property Act
- Conflicts of Interest Act
- Procurement Laws

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Williamsburg Area Transit Authority
Williamsburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited Williamsburg Area Transit Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2020. the Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations,* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Williamsburg Area Transit Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 6, 2020

Williamsburg Area Transit Authority
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

Federal Grantor/State Pass–Through Grantor/Program Title	Federal catalog number	Pass-through Entity Identifying Number	Expenditures
Department of Transportation:			
Federal Transit Administration:			
Federal Transit Cluster:			
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	N/A	$ 3,527,602
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	VA-80-0024-00	180,000
Formula Grants for Rural Areas	20.509	VA-18-X036-00 and VA-18-X038-00	314,270
Total Federal Awards			$ 4,021,872

See accompanying notes to the schedule of expenditures of federal awards and independent auditor's report.

Williamsburg Area Transit Authority
Notes to Schedule of Expenditures of Federal Awards
June 30, 2020

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

2) Summary Of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or cost principles contained in Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

3) Indirect Cost Rate

The Authority has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended June 30, 2020, the Authority did not allocate any indirect costs to grant expenditures.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major programs**.
7. The program(s) tested as major was/were: Major program: Federal Transit Cluster (CFDA No.: 20.507)
8. The threshold for distinguishing Type A and B programs was $750,000.
9. The Authority was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None

WILLIAMSBURG AREA TRANSIT AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2020

1. There were no findings in the audit report, dated November 26, 2019, for the year ended June 30, 2019, issued by Brown Edwards & Company, LLP.

2. There were no reports issued by federal agencies or contract administrators during the year covered by this audit.