

RSW REGIONAL JAIL AUTHORITY



FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

RSW REGIONAL JAIL AUTHORITY
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

**TO THE HONORABLE MEMBERS OF
RSW REGIONAL JAIL AUTHORITY
FRONT ROYAL, VIRGINIA**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of RSW Regional Jail Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of RSW Regional Jail Authority, as of June 30, 2022, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement Nos. 87, *Leases* and 92, *Omnibus 2020*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2022, on our consideration of RSW Regional Jail Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RSW Regional Jail Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RSW Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 27, 2022

RSW REGIONAL JAIL AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the RSW Regional Jail Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2022. Please read this discussion and analysis in conjunction with the Authority's FY2022 financial statements.

Using This Annual Report

This FY2022 annual report consists of six parts:

1. Independent Auditor's Report
2. Management's Discussion and Analysis
3. Basic Financial Statements
4. Required Supplementary Information
5. Other Supplementary Information
6. Compliance

The Financial Section of the Annual Comprehensive Financial Report consists of Management's Discussion and Analysis and the Basic Financial Statements, including notes that explain in more detail some of the information in the financial statements. The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the financial statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements as well as management's examination and analysis of financial condition and performance. Summary financial data, key financial and operational indicators contained in the Authority's budget and other management tools were used for this analysis.

FY2022 Financial Highlights

- The Authority's total net position increased by 4.67% or \$1,278,450, as a result of this year's operating and non-operating financial activities.
- Operating revenues increased \$875,734 in FY2022 over FY2021 or 5.88%. The increase in operating revenues was mainly the result of an increase in other (non-member) locality per diems and an increase in Commonwealth of Virginia reimbursements.
- Operating expenses increased by \$506,417 in FY2022 over FY2021 or 3.93%. The increase in operating expenses was caused primarily by personnel services, due to an increase in salaries for staff.
- The Authority's net investment in capital assets decreased by \$1,893,633, or 3.29%. The changes to capital assets resulting in this decrease reflects additions of \$211,751 and a depreciation amount of \$2,105,384.
- The Authority designates a portion of its net assets for future operating and capital expenses. At the end of the fiscal year, the Authority had an Operating Reserve account balance of \$2,890,080 and a Capital Reserve account balance of \$1,000,000.

Financial Analysis

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help to determine the financial health of the Authority. These two statements report the net position of the Authority and changes to it. Over time, increases or decreases in Authority net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population, service area growth, changes in accounting standards and new or changed legislation.

The Authority's total net position increased from last year by a net amount of approximately \$1.27 million. The analysis below focuses on the change in net position and the resulting changes in assets and liabilities.

	FY2022	FY2021	Amount Change	% Change
Current assets	\$ 7,129,748	\$ 6,198,875	\$ 930,873	15.02%
Restricted assets	8,124,283	7,824,967	299,316	3.83%
Capital assets, net	55,748,579	57,642,212	(1,893,633)	(3.29)%
Net pension asset	2,312,356	1,010,908	1,301,448	128.74%
Net OPEB asset	2,426	-	2,426	N/A
Total assets	\$ 73,317,392	\$ 72,676,962	\$ 640,430	0.88%
Deferred outflows of resources	\$ 1,217,360	\$ 1,149,973	\$ 67,387	5.86%
Current liabilities	\$ 2,715,383	\$ 2,659,661	\$ 55,722	2.10%
Non-Current liabilities	41,184,182	42,935,379	(1,751,197)	(4.08)%
Total liabilities	\$ 43,899,565	\$ 45,595,040	\$ (1,695,475)	(3.72)%
Deferred inflows of resources	\$ 1,967,647	\$ 842,805	\$ 1,124,842	133.46%
Net investment in capital assets	\$ 13,136,636	\$ 13,427,521	\$ (290,885)	(2.17)%
Restricted	6,548,985	5,318,906	1,230,079	23.13%
Unrestricted	8,981,919	8,642,663	339,256	3.93%
Total net position	\$ 28,667,540	\$ 27,389,090	\$ 1,278,450	4.67%

Financial Analysis (Continued)

The changes in the Authority's net position from FY2021 to FY2022 can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position:

	<u>FY2022</u>	<u>FY2021</u>	<u>Amount Change</u>	<u>% Change</u>
Operating revenues				
Commonwealth of Virginia per diems	\$ 904,772	\$ 966,305	\$ (61,533)	(6.37)%
Commonwealth of Virginia reimbursements	5,659,955	5,193,562	466,393	8.98%
Member locality per diems	6,097,507	6,611,920	(514,413)	(7.78)%
Other locality per diems	2,555,827	1,555,072	1,000,755	64.35%
Telephone revenue	323,159	313,513	9,646	3.08%
Inmates keep fees	170,504	190,967	(20,463)	(10.72)%
Pre-trial drug and alcohol fees	2,925	11,741	(8,816)	(75.09)%
Work Release	594	602	(8)	(1.33)%
Medical co-pays	43,463	45,712	(2,249)	(4.92)%
Miscellaneous	11,815	5,393	6,422	119.08%
Total operating revenues	<u>\$ 15,770,521</u>	<u>\$ 14,894,787</u>	<u>\$ 875,734</u>	<u>5.88%</u>
Operating expenses				
Jail operations:				
Personnel services	\$ 6,306,616	\$ 5,618,437	\$ 688,179	12.25%
Employee benefits	2,173,694	2,401,755	(228,061)	(9.50)%
Medical services	614,017	595,999	18,018	3.02%
Other purchased services	695,129	658,642	36,487	5.54%
Other charges	1,033,419	1,098,518	(65,099)	(5.93)%
Materials and supplies	438,232	408,689	29,543	7.23%
Noncapital equipment	40,922	23,721	17,201	72.51%
Depreciation	2,105,384	2,095,235	10,149	0.48%
Total operating expenses	<u>\$ 13,407,413</u>	<u>\$ 12,900,996</u>	<u>\$ 506,417</u>	<u>3.93%</u>
Nonoperating revenues (expenses)				
Interest revenue	\$ 56,258	\$ 56,087	\$ 171	0.30%
Unrealized gain (loss) on investments	(92,540)	(51,744)	(40,796)	(78.84)%
Federal and Commonwealth grant revenue	7,185	89,046	(81,861)	(91.93)%
Interest and fiscal charges	(1,139,186)	(1,170,256)	31,070	2.65%
Total non operating revenues (expenses)	<u>\$ (1,168,283)</u>	<u>\$ (1,076,867)</u>	<u>\$ (91,416)</u>	<u>(8.49)%</u>
Transfers in (out)	<u>\$ 83,625</u>	<u>\$ -</u>	<u>\$ 83,625</u>	<u>N/A</u>
Change in net position	<u>\$ 1,278,450</u>	<u>\$ 916,924</u>	<u>\$ 361,526</u>	<u>39.43%</u>
Beginning net position	27,389,090	26,472,166	916,924	3.46%
Ending net position	<u>\$ 28,667,540</u>	<u>\$ 27,389,090</u>	<u>\$ 1,278,450</u>	<u>4.67%</u>

Financial Analysis (Continued)

Operating revenues increased by 5.88% in FY2022 compared to FY2021. This increase was due largely in part by increased revenue from non-member localities contracting bed rental space at RSW. A decrease in revenue was seen from member localities, which was due to an increase in anticipated revenue from non-member jurisdiction bed rentals. Another large contribution to the revenue increase in FY2022 was an increase in funding from the Compensation Board for salaries and benefits.

Operating expenses increased by 3.93% from FY2021 to FY2022. This increase was caused primarily by an increase in personnel services expenses, due to salary increases given at the start of FY2022. These expenses were partially offset by the increased revenue from the Compensation Board discussed above.

Capital Assets and Debt Administration

Capital assets

At the end of 2022, the Authority had approximately \$55.7 million invested in net capital assets comprised of the land, building, furnishings and equipment of the regional jail. Net capital assets decreased by approximately \$1.89 million during the year. The following table summarizes the changes in capital assets:

<u>Changes in Capital Assets</u>	<u>FY2022</u>
Balance at July 1, 2021	\$ 57,642,212
Additions	211,751
Depreciation	<u>(2,105,384)</u>
Balance at June 30, 2022	<u>\$ 55,748,579</u>

For comparison and more detail, the following table summarizes the Authority's capital assets, accumulated depreciation, and net capital assets as of June 30, 2022 and June 30, 2021.

	<u>FY2022</u>	<u>FY2021</u>
Land	\$ 2,065,314	\$ 2,065,314
Buildings and improvements	\$ 65,373,593	\$ 65,373,593
Furnishings and equipment	\$ 5,244,089	\$ 5,071,559
Lease asset	\$ 39,221	\$ -
Total capital assets	<u>\$ 72,722,217</u>	<u>\$ 72,510,466</u>
Accumulated depreciation	<u>\$ (16,973,638)</u>	<u>\$ (14,868,254)</u>
Net capital assets	<u>\$ 55,748,579</u>	<u>\$ 57,642,212</u>

Capital Assets and Debt Administration (Continued)

Debt

At FY2022 end, the Authority had a total of \$42,095,000 in revenue bonds principal outstanding.

In April 2012, the Authority issued \$45,240,000 in Series 2012 Regional Jail Facility Revenue Bonds through the Virginia Resources Authority, the proceeds of which were used to finance the construction of the RSW Regional Jail facility located in Warren County.

In October 2019, the Authority issued \$41,705,000 in Series 2019 Regional Jail Facility Revenue Refunding Bonds through the Virginia Resources Authority Virginia Pooled Financing Program. This issuance refunded the previously issued Series 2012 bonds to achieve a debt service savings.

Contacting the Authority's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information regarding the Authority, please contact:

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Finance Manager
RSW Regional Jail
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BASIC FINANCIAL STATEMENTS

RSW REGIONAL JAIL AUTHORITY

Statement of Net Position
June 30, 2022

	Operating Fund	Canteen Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,129,715	\$ -	\$ 6,129,715
Cash and cash equivalents, restricted	-	556,026	556,026
Accounts receivable	292,128	-	292,128
Receivable from custodial funds	15,934	42,214	58,148
Due from other governments	592,127	-	592,127
Prepaid expenses	99,844	-	99,844
Total current assets	<u>\$ 7,129,748</u>	<u>\$ 598,240</u>	<u>\$ 7,727,988</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents held for debt service	\$ 1,444,918	\$ -	\$ 1,444,918
Cash and cash equivalents for operating reserve	2,890,080	-	2,890,080
Cash and cash equivalents for capital reserve	1,000,000	-	1,000,000
Investments held for debt service	2,789,285	-	2,789,285
Total restricted assets	<u>\$ 8,124,283</u>	<u>\$ -</u>	<u>\$ 8,124,283</u>
Net pension asset	\$ 2,312,356	\$ -	\$ 2,312,356
Net OPEB asset	2,426	-	2,426
Capital assets:			
Land	2,065,314	-	2,065,314
Building and improvements	65,373,593	-	65,373,593
Furniture and equipment	5,244,089	-	5,244,089
Lease asset - equipment	39,221	-	39,221
Subtotal	<u>\$ 72,722,217</u>	<u>\$ -</u>	<u>\$ 72,722,217</u>
Less - accumulated depreciation/amortization	<u>(16,973,638)</u>	<u>-</u>	<u>(16,973,638)</u>
Capital assets, net	<u>\$ 55,748,579</u>	<u>\$ -</u>	<u>\$ 55,748,579</u>
Total noncurrent assets	<u>\$ 66,187,644</u>	<u>\$ -</u>	<u>\$ 66,187,644</u>
Total assets	<u>\$ 73,317,392</u>	<u>\$ 598,240</u>	<u>\$ 73,915,632</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 1,116,078	\$ -	\$ 1,116,078
OPEB related items	101,282	-	101,282
Total deferred outflows of resources	<u>\$ 1,217,360</u>	<u>\$ -</u>	<u>\$ 1,217,360</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 225,815	\$ 95,115	\$ 320,930
Accrued salaries	483,430	-	483,430
Accrued interest payable	315,999	-	315,999
Compensated absences - current portion	64,024	-	64,024
Lease liability - current portion	11,168	-	11,168
Revenue bond - current portion (including current portion of unamortized premium/discount)	1,614,947	-	1,614,947
Total current liabilities	<u>\$ 2,715,383</u>	<u>\$ 95,115</u>	<u>\$ 2,810,498</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 377,523	\$ -	\$ 377,523
Net OPEB liabilities	271,508	-	271,508
Lease liability - net of current portion	16,964	-	16,964
Revenue bond - net of current portion (including noncurrent portion of unamortized premium/discount)	40,518,187	-	40,518,187
Total noncurrent liabilities	<u>\$ 41,184,182</u>	<u>\$ -</u>	<u>\$ 41,184,182</u>
Total liabilities	<u>\$ 43,899,565</u>	<u>\$ 95,115</u>	<u>\$ 43,994,680</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 1,341,457	\$ -	\$ 1,341,457
OPEB related items	147,381	-	147,381
Deferred charge on refunding	478,809	-	478,809
Total deferred inflows of resources	<u>\$ 1,967,647</u>	<u>\$ -</u>	<u>\$ 1,967,647</u>
NET POSITION			
Net investment in capital assets	\$ 13,136,636	\$ -	\$ 13,136,636
Restricted for:			
Debt service	4,234,203	-	4,234,203
Pension and OPEB benefits	2,314,782	-	2,314,782
Inmate benefits	-	503,125	503,125
Unrestricted	<u>8,981,919</u>	<u>-</u>	<u>8,981,919</u>
Total net position	<u>\$ 28,667,540</u>	<u>\$ 503,125</u>	<u>\$ 29,170,665</u>

The notes to financial statements are an integral part of this statement.

RSW REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

	Operating Fund	Canteen Fund	Total
Operating revenues:			
Commonwealth of Virginia per diems	\$ 904,772	\$ -	\$ 904,772
Commonwealth of Virginia reimbursements	5,659,955	-	5,659,955
Member locality per diems	6,097,507	-	6,097,507
Other locality per diems	2,555,827	-	2,555,827
Telephone revenue	323,159	-	323,159
Inmate keep fees	170,504	-	170,504
Pre-trial drug and alcohol fees	2,925	-	2,925
Work release	594	-	594
Medical co-pays	43,463	-	43,463
Canteen sales	-	690,570	690,570
Miscellaneous revenues	11,815	-	11,815
Total operating revenues	<u>\$ 15,770,521</u>	<u>\$ 690,570</u>	<u>\$ 16,461,091</u>
Operating expenses:			
Jail operations:			
Personnel services	\$ 6,306,616	\$ -	\$ 6,306,616
Employee benefits	2,173,694	-	2,173,694
Medical services	614,017	7,795	621,812
Other purchased services	695,129	26,827	721,956
Other charges	1,033,419	2,707	1,036,126
Material and supplies	438,232	408,545	846,777
Noncapital equipment	40,922	53,474	94,396
Depreciation expense	2,105,384	-	2,105,384
Total operating expenses	<u>\$ 13,407,413</u>	<u>\$ 499,348</u>	<u>\$ 13,906,761</u>
Operating income (loss)	<u>\$ 2,363,108</u>	<u>\$ 191,222</u>	<u>\$ 2,554,330</u>
Nonoperating revenues (expenses):			
Interest revenue	\$ 56,258	\$ -	\$ 56,258
Unrealized gain (loss) on investments	(92,540)	-	(92,540)
Federal and Commonwealth grant revenue	7,185	-	7,185
Interest and fiscal charges	<u>(1,139,186)</u>	<u>-</u>	<u>(1,139,186)</u>
Total nonoperating revenues (expenses)	<u>\$ (1,168,283)</u>	<u>\$ -</u>	<u>\$ (1,168,283)</u>
Income before transfers	<u>\$ 1,194,825</u>	<u>\$ 191,222</u>	<u>\$ 1,386,047</u>
Transfers in (out)	<u>\$ 83,625</u>	<u>\$ (83,625)</u>	<u>\$ -</u>
Change in net position	\$ 1,278,450	\$ 107,597	\$ 1,386,047
Net position - beginning of year	<u>27,389,090</u>	<u>395,528</u>	<u>27,784,618</u>
Net position - end of year	<u><u>\$ 28,667,540</u></u>	<u><u>\$ 503,125</u></u>	<u><u>\$ 29,170,665</u></u>

The notes to financial statements are an integral part of this statement.

RSW REGIONAL JAIL AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2022

	<u>Operating Fund</u>	<u>Canteen Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from participating jurisdictions	\$ 15,325,947	\$ -	\$ 15,325,947
Receipts from canteen sales	-	690,570	690,570
Payments to suppliers	(2,905,591)	(444,985)	(3,350,576)
Payments to employees	(8,834,854)	-	(8,834,854)
Other operating revenues	577,130	32,644	609,774
Net cash provided by (used for) operating activities	<u>\$ 4,162,632</u>	<u>\$ 278,229</u>	<u>\$ 4,440,861</u>
Cash flows from noncapital financing activities:			
Federal and Commonwealth grant revenue	\$ 7,185	\$ -	\$ 7,185
Transfer from canteen account	83,625	(83,625)	-
Net cash provided by (used for) noncapital financing activities	<u>\$ 90,810</u>	<u>\$ (83,625)</u>	<u>\$ 7,185</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	\$ (172,530)	\$ -	\$ (172,530)
Principal paid on lease liability	(11,089)	-	(11,089)
Principal paid on capital debt	(1,470,000)	-	(1,470,000)
Interest paid on capital debt	(1,279,610)	-	(1,279,610)
Net cash provided by (used for) capital and related financing activities	<u>\$ (2,933,229)</u>	<u>\$ -</u>	<u>\$ (2,933,229)</u>
Cash flows from investing activities:			
Interest received	\$ 56,258	\$ -	\$ 56,258
Sale (purchase) of investments	(6)	-	(6)
Net cash provided by (used for) investing activities	<u>\$ 56,252</u>	<u>\$ -</u>	<u>\$ 56,252</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,376,465	\$ 194,604	\$ 1,571,069
Cash and cash equivalents at beginning of year, including restricted cash of \$4,943,148 and \$361,422	<u>10,088,248</u>	<u>361,422</u>	<u>10,449,670</u>
Cash and cash equivalents at end of year, including restricted cash of \$5,334,998 and \$556,026	<u>\$ 11,464,713</u>	<u>\$ 556,026</u>	<u>\$ 12,020,739</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 2,363,108	\$ 191,222	\$ 2,554,330
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	2,105,384	-	2,105,384
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase) decrease in accounts receivable	19,931	-	19,931
(Increase) decrease in receivable from custodial fund	4,739	32,644	37,383
(Increase) decrease in due from other governments	107,886	-	107,886
(Increase) decrease in prepaid expenses	(78,814)	-	(78,814)
(Increase) decrease in deferred outflows of resources	(67,387)	-	(67,387)
(Increase) decrease in net pension asset	(1,301,448)	-	(1,301,448)
Increase (decrease) in accounts payable	(5,058)	54,363	49,305
Increase (decrease) in accrued salaries	21,742	-	21,742
Increase (decrease) in compensated absences	3,767	-	3,767
Increase (decrease) in deferred inflows of resources	1,147,642	-	1,147,642
Increase (decrease) in net OPEB liabilities	(158,860)	-	(158,860)
Total adjustments	<u>\$ 1,799,524</u>	<u>\$ 87,007</u>	<u>\$ 1,886,531</u>
Net cash provided by (used for) operating activities	<u>\$ 4,162,632</u>	<u>\$ 278,229</u>	<u>\$ 4,440,861</u>
Noncash investing activities:			
Increase (decrease) in fair value of investments - debt service reserve fund	\$ (92,540)	\$ -	\$ (92,540)
Total noncash investing activities	<u>\$ (92,540)</u>	<u>\$ -</u>	<u>\$ (92,540)</u>

The notes to financial statements are an integral part of this statement.

RSW REGIONAL JAIL AUTHORITY

Statement of Fiduciary Net Position
 Custodial Fund
 June 30, 2022

	Custodial Fund <u>Inmate Fund</u>
ASSETS	
Cash and cash equivalents	\$ 73,914
Total assets	<u>\$ 73,914</u>
LIABILITIES	
Payable to operating fund	\$ 15,934
Payable to canteen fund	<u>42,214</u>
Total liabilities	<u>\$ 58,148</u>
NET POSITION	
Restricted for inmates	\$ 15,766
Total net position	<u><u>15,766</u></u>

The notes to financial statements are an integral part of this statement.

RSW REGIONAL JAIL AUTHORITY

Statement of Changes in Fiduciary Net Position
 Custodial Fund
 Year Ended June 30, 2022

	Custodial Fund
	<u>Inmate Fund</u>
ADDITIONS	
Contributions:	
Inmate deposits	\$ 1,213,847
Total additions	<u>\$ 1,213,847</u>
DEDUCTIONS	
Canteen payments (phone usage, commissary)	\$ 842,341
Paid to phone vendor	7,829
Fees to RSW Regional Jail	214,614
Paid to inmates	145,370
Other deductions	21,705
Total deductions	<u>\$ 1,231,859</u>
Net increase (decrease) in fiduciary net position	<u>\$ (18,012)</u>
Net position, beginning of year	<u>\$ 33,778</u>
Net position, end of year	<u><u>\$ 15,766</u></u>

The notes to financial statements are an integral part of this statement.

RSW REGIONAL JAIL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose

The Counties of Warren, Rappahannock, and Shenandoah entered into an agreement dated July 22, 2010, to operate a regional jail facility created pursuant to the provisions of Section 52.1-91, *Code of Virginia* (1950), as amended, to construct, own and provide an adequate regional jail and to provide jail services to local governments participating in the Authority, which was created by Resolution of the participating local governments. Each of the three localities appoints two members to the Authority Board. In addition to locality appointed members, the Sheriff of each participating locality is required to be appointed.

B. Financial Reporting Entity

RSW Regional Jail Authority is not presented as a discretely presented component unit of any of the participating jurisdictions. The Authority is not fiscally dependent on any one particular Member Jurisdiction, and none of the Member Jurisdictions appoints a voting majority. The Authority is a legally separate entity from the jurisdictions.

Construction of the regional jail was completed early in fiscal year 2015. The regional jail opened in July 2014 at which time the participating localities began sending inmates to the facility. The Authority bills each locality a per diem rate based upon the number of inmates sent to the facility. The per diem rates include components for both operating and debt service expenses.

C. Basic Financial Statements and Required Supplementary Information

For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis
- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
 - Notes to Financial Statements
- Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
- Schedule of Employer Contributions – Pension Plan
- Notes to Required Supplementary Information – Pension Plan
- Schedule of Authority's Share of Net OPEB Liability – Group Life Insurance
- Schedule of Employer Contributions – Group Life Insurance
- Notes to Required Supplementary Information – Group Life Insurance

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Basic Financial Statements and Required Supplementary Information (continued)

- Schedule of Authority's Share of Net OPEB Liability – VLDP
- Schedule of Employer Contributions – VLDP
- Notes to Required Supplementary Information – VLDP

D. Basis of Accounting

The accounting policies of the Authority conform to generally accepted accounting principles. Accordingly, the Authority uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to member jurisdictions and bed rentals. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Operating Fund is the primary operating fund of the Authority and accounts for all revenues and expenses applicable to the general operations of the jail. Additionally, the Authority reports the Canteen Fund, which is restricted for the benefit of inmates. Expenses paid with Canteen funds includes canteen food and supplies, educational supplies, and other items benefiting inmates.

Fiduciary Funds account for assets held by the Authority in a trustee capacity or as a custodian for individuals, private organizations, other governmental units, or other funds. The Inmate Fund comprises the Authority's Custodial Fund. This fund accounts for funds held on behalf of the inmates housed at the facility. Fiduciary funds are not included in the enterprise financial statements.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the Authority constructs or acquires capital assets each period, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate asset class.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Capital Assets (continued)

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, and lease assets of the Authority are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	39
Improvements	15
Vehicles	5-7
Furniture, fixtures, and equipment	5-15
Lease equipment	5

F. Use of Estimates

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

G. Investments

Investments for the Authority in U.S. Treasury Notes are reported at fair value at June 30, 2022.

H. Cash and Cash Equivalents

The Authority's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

I. Inventory

The Authority expenses all materials and supplies when purchased. Any items on hand at year-end are not material in amount and therefore are not shown in the financial statements.

J. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

J. Net Position (continued)

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one type of item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two types of items that qualify for reporting in this category. One item is the deferred charge on refunding. A deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related pension and OPEB. For more detailed information on this item, reference the related notes.

L. Pensions

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

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and VLDP OPEB Plans and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported to VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Leases

The Authority leases various assets, requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The Authority recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Key Estimates and Judgements

Lease accounting includes estimates and judgements for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of the underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability.

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

O. Adoption of Accounting Principles

The Authority implemented provisions of Governmental Accounting Standards Board Statement Nos. 87, *Leases* and 92, *Omnibus 2020* during the fiscal year ended June 30, 2022. Statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 92, *Omnibus 2020* addresses a variety of topics, including leases. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the lease:

	<u>General Fund</u>
Lessee activity:	
Lease asset	\$ 39,221
Lease liability	\$ 39,221

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Statutes authorize the Authority to invest in obligations of the United State or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investor Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The Authority’s debt investments as of June 30, 2022 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale.

Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAA
U.S. Treasury Note	\$ 2,789,285
Money Market Mutual Funds	1,444,918
Total	\$ 4,234,203

Interest Rate Risk

The Authority invests funds in low-risk investments as follows:

	<u>Fair Value</u>	<u>Less than 1 yr</u>
U.S. Treasury Note	\$ 2,789,285	\$ 2,789,285
Total	\$ 2,789,285	\$ 2,789,285

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 3—FAIR VALUE MEASUREMENTS:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Authority maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Authority has the following recurring fair value measurements as of June 30, 2022:

Investment type	Fair Value 6/30/2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
U.S. Treasury Note	\$ 2,789,285	\$ 2,789,285	\$ -	\$ -
Cash and Cash Equivalents:				
Money Market Mutual Funds	1,444,918	1,444,918	-	-
Total	<u>\$ 4,234,203</u>	<u>\$ 4,234,203</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4—DUE FROM OTHER GOVERNMENTS:

A summary of the amounts due from other governments is as follows:

Commonwealth of Virginia	\$ 592,127
Total	<u>\$ 592,127</u>

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 5—CAPITAL ASSETS:

A summary of changes in capital assets for the fiscal year is as follows:

	Balance July 1, 2021	GASB 87 Adjustment	Additions	Deletions	Balance June 30, 2022
Non-depreciable capital assets:					
Land	\$ 2,065,314	\$ -	\$ -	\$ -	\$ 2,065,314
Total non-depreciable capital assets	\$ 2,065,314	\$ -	\$ -	\$ -	\$ 2,065,314
Depreciable capital assets:					
Building and improvements	\$ 65,373,593	\$ -	\$ -	\$ -	\$ 65,373,593
Furniture and equipment	5,071,559	-	172,530	-	5,244,089
Total depreciable capital assets	\$ 70,445,152	\$ -	\$ 172,530	\$ -	\$ 70,617,682
Accumulated depreciation:					
Building and improvements	\$ 11,068,625	\$ -	\$ 1,708,767	\$ -	\$ 12,777,392
Furniture and equipment	3,799,629	-	385,411	-	4,185,040
Accumulated depreciation	\$ 14,868,254	\$ -	\$ 2,094,178	\$ -	\$ 16,962,432
Total depreciable capital assets, net	\$ 55,576,898	\$ -	\$ (1,921,648)	\$ -	\$ 53,655,250
Lease asset:					
Equipment	\$ -	\$ 39,221	\$ -	\$ -	\$ 39,221
Accumulated amortization:					
Equipment	\$ -	\$ -	\$ 11,206	\$ -	\$ 11,206
Total capital assets, net	\$ 57,642,212	\$ 39,221	\$ (1,932,854)	\$ -	\$ 55,748,579

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of the Authority's long-term obligation transactions for the year ended June 30, 2022:

	Balance July 1, 2021	GASB 87 Adjustment	Issuances	Retirements	Balance June 30, 2022	Amount Due Within One Year
Direct Borrowings and Placements:						
Revenue bonds	\$ 43,565,000	\$ -	\$ -	\$ 1,470,000	\$ 42,095,000	\$ 1,505,000
Unamortized bond premium	227,077	-	-	113,539	113,538	113,538
Unamortized bond discount	(78,995)	-	-	(3,591)	(75,404)	(3,591)
Total Direct Borrowings and Placements	\$ 43,713,082	\$ -	\$ -	\$ 1,579,948	\$ 42,133,134	\$ 1,614,947
Other Long-Term Obligations						
Lease liability	\$ -	\$ 39,221	\$ -	\$ 11,089	\$ 28,132	\$ 11,168
Net OPEB liabilities	427,942	-	108,372	264,806	271,508	-
Compensated absences	437,780	-	1,103,868	1,100,101	441,547	64,024
Total Other Long-Term Obligations	\$ 865,722	\$ 39,221	\$ 1,212,240	\$ 1,375,996	\$ 741,187	\$ 75,192
Total Long-Term Obligations	\$ 44,578,804	\$ 39,221	\$ 1,212,240	\$ 2,955,944	\$ 42,874,321	\$ 1,690,139

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30	Direct Borrowings & Placements		Other Long-Term Obligations	
	Revenue Bond		Lease Liability	
	Principal	Interest	Principal	Interest
2023	\$ 1,505,000	\$ 1,243,664	\$ 11,168	\$ 231
2024	1,540,000	1,206,983	12,226	123
2025	1,575,000	1,172,933	4,738	12
2026	1,615,000	1,135,988	-	-
2027	1,655,000	1,096,360	-	-
2028-2032	8,940,000	4,796,042	-	-
2033-2037	10,360,000	3,381,961	-	-
2038-2042	12,205,000	1,532,060	-	-
2043	2,700,000	46,224	-	-
Total	\$ <u>42,095,000</u>	\$ <u>15,612,215</u>	\$ <u>28,132</u>	\$ <u>366</u>

Details of Long-Term Obligations:

	Total Amount	Amount Due Within One Year
Direct Borrowings and Direct Placements:		
Revenue bonds:		
\$45,240,000 issued April 30, 2012 at a premium of \$4,992,732, due in varying annual principal installments, interest payable semi-annually at interest rates varying from 2.125% to 2.9017% through October 1, 2022.	\$ 1,125,000	\$ 1,125,000
\$41,705,000 issued October 20, 2019 at a discount of \$82,585 and deferred amount of refunding of \$524,409, due in varying annual principal installments, interest payable semi-annually at interest rates from 1.952% to 3.424% through April 1, 2043.	<u>40,970,000</u>	<u>380,000</u>
Total revenue bonds	\$ 42,095,000	1,505,000
Unamortized bond premium	113,538	113,538
Unamortized bond discount	<u>(75,404)</u>	<u>(3,591)</u>
Total direct borrowings and direct placements	\$ 42,133,134	\$ 1,614,947
Lease liability:		
\$39,221 lease for the use of 10 Xerox copiers, issued December 10, 2019, bearing interest at 1.003%. Monthly principal and interest payments of \$950 through December 9, 2024.	\$ 28,132	\$ 11,168
Net OPEB liabilities	\$ 271,508	\$ -
Compensated absences	\$ 441,547	\$ 64,024
Total long-term obligations	\$ <u>42,874,321</u>	\$ <u>1,690,139</u>

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 7—PENSION PLANS:

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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.

Benefit Structures

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, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 7—PENSION PLANS: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	13
Inactive members:	
Vested inactive members	10
Non-vested inactive members	91
Inactive members active elsewhere in VRS	<u>46</u>
Total inactive members	147
Active members	<u>101</u>
Total covered employees	<u><u>261</u></u>

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 7—PENSION PLANS: (CONTINUED)

Contributions

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

The Authority’s contractually required employer contribution rate for the year ended June 30, 2022 was 10.70% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 and unfunded accrued liability. Contributions to the pension plan from the Authority were \$534,732 and \$497,070 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For the Authority, the net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority’s Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 7—PENSION PLANS: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates:

All Others (Non-10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service-related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 7—PENSION PLANS: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates:

All Others (Non-10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service-related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 7—PENSION PLANS: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.39%</u>

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 7—PENSION PLANS: (CONTINUED)

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)

NOTE 7—PENSION PLANS: (CONTINUED)

Changes in Net Pension (Asset) Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 4,379,822	\$ 5,390,730	\$ (1,010,908)
Changes for the year:			
Service cost	\$ 725,541	\$ -	\$ 725,541
Interest	291,201	-	291,201
Changes of assumptions	427,288	-	427,288
Differences between expected and actual experience	(444,857)	-	(444,857)
Contributions - employer	-	497,074	(497,074)
Contributions - employee	-	230,624	(230,624)
Net investment income	-	1,576,003	(1,576,003)
Benefit payments, including refunds of employee contributions	(131,457)	(131,457)	-
Administrative expenses	-	(3,235)	3,235
Other changes	-	155	(155)
Net changes	\$ 867,716	\$ 2,169,164	\$ (1,301,448)
Balances at June 30, 2021	\$ 5,247,538	\$ 7,559,894	\$ (2,312,356)

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate

The following presents the net pension (asset) liability of the Authority using the discount rate of (6.75%), as well as what the Authority's net pension (asset) 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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's Net Pension (Asset) Liability	\$ (1,251,031)	\$ (2,312,356)	\$ (3,141,391)

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 7—PENSION PLANS: (CONTINUED)

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

For the year ended June 30, 2022, the Authority recognized pension expense of \$184,009. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 185,895	\$ 525,056
Change of assumptions	395,451	5,626
Net difference between projected and actual earnings on plan investments	-	810,775
Employer contributions subsequent to the measurement date	534,732	-
Total	\$ 1,116,078	\$ 1,341,457

\$534,732 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2023	\$ (196,110)
2024	(127,760)
2025	(196,043)
2026	(240,198)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 8—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

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

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

The specific information GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established in July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of service credit, the minimum benefit payable 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 \$8,722 as of June 30, 2022.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 8—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$28,331 and \$25,999 for the years ended June 30, 2022 and June 30, 2021, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2022, the entity reported a liability of \$271,508 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.02330% as compared to 0.02550% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$2,879. 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, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 30,966	\$ 2,069
Net difference between projected and actual earnings on GLI OPEB plan investments	-	64,803
Change of assumptions	14,968	37,148
Changes in proportionate share	14,680	37,594
Employer contributions subsequent to the measurement date	<u>28,331</u>	<u>-</u>
Total	<u>\$ 88,945</u>	<u>\$ 141,614</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)

NOTE 8—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

\$28,331 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. 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:

<u>Year Ended June 30,</u>	
2023	\$ (21,620)
2024	(14,527)
2025	(12,211)
2026	(23,770)
2027	(8,872)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. The assumptions include several employer groups. Salary increases and mortality rates include herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 8—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 8—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 8—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

	GLI OPEB Plan	
	<u> </u>	
Total GLI OPEB Liability	\$	3,577,346
Plan Fiduciary Net Position		2,413,074
GLI Net OPEB Liability (Asset)	\$	<u>1,164,272</u>
 Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		 67.45%

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.39%</u>

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 8—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return (Continued)

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, 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, 2021 on, employers were 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 Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
RSW Regional Jail Authority's proportionate share of the GLI Plan Net OPEB Liability	\$ 396,683	\$ 271,508	\$ 170,423

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 9—LINE OF DUTY ACT (LODA) (OPEB BENEFITS):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Authority has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Authority to VACORP. VACORP assumes all liability for the Authority's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Authority's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The Authority's LODA premium for the year ended June 30, 2022 was \$33,380.

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):

Plan Description

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 plan employees either through a local plan or through the Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan 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.

The specific information for the VLDEP OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Political Subdivision VLDP was implemented January 1, 2014 to provide disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits. 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 VLDP.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Benefit Amounts

The VLDP 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 for work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The VLDP 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.

VLDP 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.

Contributions

The contribution requirements 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, 2022 was 0.83% of covered employee compensation for employees in the VRS Political Subdivision Employee VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 VLDP from the entity were \$10,520 and \$7,991 for the years ended June 30, 2022 and June 30, 2021, respectively.

VLDP OPEB Liabilities (Assets), VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At June 30, 2022, the Authority reported a liability (asset) of \$(2,426) for its proportionate share of the VLDP Net OPEB Liability (Asset). The Net VLDP OPEB Liability (Asset) was measured as of June 30, 2021 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability (Asset) was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The Authority's proportion of the Net VLDP OPEB Liability (Asset) was based on the Authority's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Authority's proportion of the VLDP was 0.23967% as compared to 0.23930% at June 30, 2020.

For the year ended June 30, 2022, the Authority recognized VLDP OPEB expense of \$6,635. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022 (CONTINUED)

NOTE 10— VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

VLDP OPEB Liabilities (Assets), VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB (Continued)

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,441	\$ 3,635
Net difference between projected and actual earnings on VLDP OPEB program investments	-	1,354
Change of assumptions	82	658
Changes in proportionate share	294	120
Employer contributions subsequent to the measurement date	<u>10,520</u>	<u>-</u>
Total	<u>\$ 12,337</u>	<u>\$ 5,767</u>

\$10,520 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, 2023. 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:

<u>Year Ended June 30</u>	
2023	\$ (572)
2024	(567)
2025	(585)
2026	(1,082)
2027	(351)
Thereafter	(793)

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 10— VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

Mortality Rates – Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 10— VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Net VLDP OPEB Liability (Asset)

The net OPEB liability (NOL) for the Political Subdivision VLDP 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, 2021, NOL amounts for the VRS Political Subdivision Employee VLDP is as follows (amounts expressed in thousands):

		Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	\$	5,156
Plan Fiduciary Net Position		6,166
Political Subdivision VLDP Net OPEB Liability (Asset)	\$	<u>(1,010)</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		119.59%

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.39%</u>

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 10— VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return (Continued)

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total 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 ended June 30, 2021, the rate contributed by the Authority for the VLDP was 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, 2021 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the 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 VLDP OPEB liability.

Sensitivity of the Employer’s Proportionate Share of the VLDP Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Authority’s proportionate share of the net VLDP OPEB liability using the discount rate of 6.75%, as well as what the Authority’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:

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
RSW Regional Jail Authority's proportionate share of the Net VLDP OPEB Liability (Asset)	\$	(1,300)	\$ (2,426)	\$ (3,403)

VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 11—SUMMARY OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS:

The following is a summary of the Authority’s OPEB plans as of June 30, 2022:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>Net OPEB Asset</u>	<u>OPEB Expense</u>
VRS OPEB Plans:					
Group Life Insurance Plan (Note 8)	\$ 88,945	\$ 141,614	\$ 271,508	\$ -	\$ 2,879
Virginia Local Disability Program (Note 10)	12,337	5,767	-	2,426	6,635
Totals	<u>\$ 101,282</u>	<u>\$ 147,381</u>	<u>\$ 271,508</u>	<u>\$ 2,426</u>	<u>\$ 9,514</u>

NOTE 12—BOARD DESIGNATED RESERVES:

During fiscal year 2017 the Board of the Authority approved to designate a portion of the Authority’s net assets for future operating and capital expenses. At June 30, 2022, the Authority had \$2,890,080 and \$1,000,000 designated as operating and capital reserves, respectively.

NOTE 13—LITIGATION:

At June 30, 2022, there were no matters of litigation involving RSW Regional Jail Authority that would materially affect the Authority’s financial position should any court decisions on pending matters not be favorable to the Authority.

NOTE 14—UPCOMING PRONOUNCEMENTS:

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effect dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (CONTINUED)**

NOTE 14—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

RSW REGIONAL JAIL AUTHORITY

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2015 through June 30, 2021

	2021	2020	2019
Total pension liability			
Service cost	\$ 725,541	\$ 789,829	\$ 774,005
Interest	291,201	232,696	183,076
Differences between expected and actual experience	(444,857)	(40,020)	(191,554)
Changes of assumptions	427,288	-	146,470
Benefit payments	(131,457)	(100,072)	(59,959)
Net change in total pension liability	\$ 867,716	\$ 882,433	\$ 852,038
Total pension liability (asset) - beginning	4,379,822	3,497,389	2,645,351
Total pension liability (asset) - ending (a)	\$ 5,247,538	\$ 4,379,822	\$ 3,497,389
Plan fiduciary net position			
Contributions - employer	\$ 497,074	\$ 571,748	\$ 537,638
Contributions - employee	230,624	253,003	237,909
Net investment income	1,576,003	90,695	279,526
Benefit payments	(131,457)	(100,072)	(59,959)
Administrator charges	(3,235)	(2,456)	(1,888)
Other	155	(121)	(183)
Net change in plan fiduciary net position	\$ 2,169,164	\$ 812,797	\$ 993,043
Plan fiduciary net position - beginning	5,390,730	4,577,933	3,584,890
Plan fiduciary net position - ending (b)	\$ 7,559,894	\$ 5,390,730	\$ 4,577,933
Authority's net pension asset - ending (a) - (b)	\$ (2,312,356)	\$ (1,010,908)	\$ (1,080,544)
Plan fiduciary net position as a percentage of the total pension liability	144.07%	123.08%	130.90%
Covered payroll	\$ 4,805,043	\$ 5,238,424	\$ 4,885,399
Authority's net pension asset as a percentage of covered payroll	-48.12%	-19.30%	-22.12%

Schedule is intended to show information for 10 years. However, jail operations began in fiscal year 2015. Additional years will be included as they become available.

Exhibit 6

	2018	2017	2016	2015
\$	624,396	\$ 812,763	\$ 890,276	\$ -
	144,827	109,633	(711)	(33)
	(125,001)	(277,470)	735,340	-
	-	(34,927)	-	-
	(135,649)	(78,808)	(18,334)	(951)
\$	508,573	\$ 531,191	\$ 1,606,571	\$ (984)
	2,136,778	1,605,587	(984)	-
\$	2,645,351	\$ 2,136,778	\$ 1,605,587	\$ (984)
\$	644,243	\$ 597,364	\$ 573,095	\$ 566,835
	225,181	208,573	231,081	241,286
	216,432	256,174	41,208	19,120
	(135,649)	(78,808)	(18,334)	(951)
	(1,223)	(746)	(39)	546
	(222)	(258)	(11)	(7)
\$	948,762	\$ 982,299	\$ 827,000	\$ 826,829
	2,636,128	1,653,829	826,829	-
\$	3,584,890	\$ 2,636,128	\$ 1,653,829	\$ 826,829
\$	(939,539)	\$ (499,350)	\$ (48,242)	\$ (827,813)
	135.52%	123.37%	103.00%	-84027.34%
\$	4,616,270	\$ 4,298,097	\$ 4,693,608	\$ 4,652,226
	-20.35%	-11.62%	-1.03%	-17.79%

RSW REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions

Pension Plan

Years Ended June 30, 2015 through June 30, 2022

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)*	Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)		
2022	\$ 534,732	\$ 534,732	\$ -	\$ 5,192,850	10.30%
2021	497,070	497,070	-	4,805,043	10.34%
2020	571,749	571,749	-	5,238,424	10.91%
2019	537,630	537,630	-	4,885,399	11.00%
2018	644,236	644,236	-	4,616,270	13.96%
2017	597,364	597,364	-	4,298,097	13.90%
2016	573,095	573,095	-	4,693,608	12.21%
2015	570,828	570,828	-	4,652,226	12.27%

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

Schedule is intended to show information for 10 years. However, jail operations began in fiscal year 2015. Additional years will be included as they become available.

RSW REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information

Pension Plan

Year Ended June 30, 2022

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

RSW REGIONAL JAIL AUTHORITY

Schedule of Authority's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.02330%	\$ 271,508	\$ 4,814,624	5.64%	67.45%
2020	0.02550%	425,553	5,247,869	8.11%	52.64%
2019	0.02510%	408,769	4,924,578	8.30%	52.00%
2018	0.02436%	370,000	4,631,124	7.99%	51.22%
2017	0.02360%	355,000	4,352,727	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

RSW REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 Years Ended June 30, 2015 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 28,331	\$ 28,331	\$ -	\$ 5,246,552	0.54%
2021	25,999	25,999	-	4,814,624	0.54%
2020	27,289	27,289	-	5,247,869	0.52%
2019	25,606	25,606	-	4,924,578	0.52%
2018	24,082	24,082	-	4,631,124	0.52%
2017	22,634	22,634	-	4,352,727	0.52%
2016	22,775	22,775	-	4,744,894	0.48%
2015	22,429	22,429	-	4,672,679	0.48%

Schedule is intended to show information for 10 years. However, jail operations began in fiscal year 2015. Additional years will be included as they become available.

RSW REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2022

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

RSW REGIONAL JAIL AUTHORITY

Schedule of Authority's Share of Net OPEB Liability
 Virginia Local Disability Program (VLDP)
 For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (Asset) (6)
2021	0.23967% \$	(2,426) \$	962,776	-0.25%	119.59%
2020	0.23930%	2,389	891,818	0.27%	76.84%
2019	0.20589%	4,171	636,199	0.66%	49.19%
2018	0.23204%	2,000	563,401	0.35%	51.39%
2017	0.30127%	2,000	553,216	0.36%	38.40%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

RSW REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions
 Virginia Local Disability Program (VLDP)
 Years Ended June 30, 2015 through June 30, 2022

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2022	\$ 10,520	\$ 10,520	\$ -	\$ 1,267,519	0.83%
2021	7,991	7,991	-	962,776	0.83%
2020	6,421	6,421	-	891,818	0.72%
2019	4,581	4,581	-	636,199	0.72%
2018	3,380	3,380	-	563,401	0.60%
2017	3,319	3,319	-	553,216	0.60%
2016	2,817	2,817	-	469,429	0.60%
2015	2,262	2,262	-	377,009	0.60%

Schedule is intended to show information for 10 years. However, jail operations began in fiscal year 2015. Additional years will be included as they become available.

RSW REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information
Virginia Local Disability Program (VLDP)
For the Year Ended June 30, 2022

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

OTHER SUPPLEMENTARY INFORMATION

RSW REGIONAL JAIL AUTHORITY

Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual
 Operating Fund
 Year Ended June 30, 2022

	Final Budget	Actual	Variance with Budget- Positive (Negative)
Operating Revenues:			
Commonwealth of Virginia per diems	\$ 1,064,804	\$ 904,772	\$ (160,032)
Commonwealth of Virginia reimbursements	5,701,821	5,659,955	(41,866)
Member locality per diems	6,800,874	6,097,507	(703,367)
Other locality per diems	1,700,000	2,555,827	855,827
Telephone revenue	220,000	323,159	103,159
Inmate keep fees	150,000	170,504	20,504
Pre-trial drug and alcohol fees	10,000	2,925	(7,075)
Work release	-	594	594
Medical co-pays	30,500	43,463	12,963
Miscellaneous revenues	1,000	11,815	10,815
Total operating revenues	<u>\$ 15,678,999</u>	<u>\$ 15,770,521</u>	<u>\$ 91,522</u>
Operating Expenses:			
Jail operations:			
Personnel services	\$ 7,014,189	\$ 6,306,616	\$ 707,573
Employee benefits	2,854,708	2,173,694	681,014
Medical services	749,688	614,017	135,671
Other purchased services	695,574	695,129	445
Other charges	1,171,489	1,033,419	138,070
Material and supplies	378,500	438,232	(59,732)
Noncapital equipment	47,000	40,922	6,078
Depreciation expense	-	2,105,384	(2,105,384)
Total operating expenses	<u>\$ 12,911,148</u>	<u>\$ 13,407,413</u>	<u>\$ (496,265)</u>
Operating income (loss)	<u>\$ 2,767,851</u>	<u>\$ 2,363,108</u>	<u>\$ (404,743)</u>
Nonoperating Revenues (Expenses):			
Interest revenue	\$ -	\$ 56,258	\$ 56,258
Unrealized gain (loss) on investments	-	(92,540)	(92,540)
Federal and Commonwealth grant revenue	-	7,185	7,185
Interest and fiscal charges	(2,767,851)	(1,139,186)	1,628,665
Total nonoperating revenues (expenses)	<u>\$ (2,767,851)</u>	<u>\$ (1,168,283)</u>	<u>\$ 1,599,568</u>
Income before transfers	<u>\$ -</u>	<u>\$ 1,194,825</u>	<u>\$ 1,194,825</u>
Transfers in	<u>\$ -</u>	<u>\$ 83,625</u>	<u>\$ 83,625</u>
Change in net position	\$ -	\$ 1,278,450	\$ 1,278,450
Net position, beginning of year	<u>-</u>	<u>27,389,090</u>	<u>27,389,090</u>
Net position, end of year	<u>\$ -</u>	<u>\$ 28,667,540</u>	<u>\$ 28,667,540</u>

COMPLIANCE



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

**TO THE HONORABLE MEMBERS OF
RSW REGIONAL JAIL AUTHORITY
FRONT ROYAL, 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 business-type activities and the aggregate remaining fund information of RSW Regional Jail Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise RSW Regional Jail Authority's basic financial statements and have issued our report thereon dated December 27, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RSW Regional Jail Authority's internal control over financial reporting (internal control) as the 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 RSW Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of RSW Regional Jail Authority's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 27, 2022