

# RSW REGIONAL JAIL AUTHORITY



FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

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**RSW REGIONAL JAIL AUTHORITY**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2019**

**RSW  
REGIONAL JAIL AUTHORITY**

**AUTHORITY MEMBERS**

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*Chairman*

Douglas P. Stanley, County Administrator  
County of Warren

*Vice Chairman*

Dr. Conrad A. Helsley, Board of Supervisors  
County of Shenandoah

*Secretary/Treasurer*

Garrey W. Curry, Jr., County Administrator  
County of Rappahannock

I. Christopher Parrish  
Board of Supervisors  
County of Rappahannock

Connie S. Compton  
Sheriff  
County of Rappahannock

Evan Vass  
Board of Supervisors  
County of Shenandoah

Timothy C. Carter  
Sheriff  
County of Shenandoah

Daniel J. Murray, Jr.  
Board of Supervisors  
County of Warren

Michael Arnold  
Sheriff  
County of Warren

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**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of RSW Regional Jail Authority, as of June 30, 2019, and the respective 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.

### ***Change in Accounting Principle***

As described in Note 2 to the financial statements, in 2019, the Authority adopted new accounting guidance, GASB Statement Nos. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedules related to pension and OPEB funding on pages 43-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***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.

The other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 12, 2019, 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  
November 12, 2019

## **BASIC FINANCIAL STATEMENTS**

## RSW REGIONAL JAIL AUTHORITY

Statement of Net Position  
June 30, 2019

<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,769,118
Accounts receivable	750,252
Due from other governments	732,838
Prepaid expenses	16,361
Total current assets	<u>\$ 4,268,569</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents held for debt service	\$ 1,276,299
Cash and cash equivalents for operating reserve	2,453,921
Cash and cash equivalents for capital reserve	408,008
Investments held for debt service	3,025,273
Total restricted assets	<u>\$ 7,163,501</u>
Capital assets:	
Land	\$ 2,065,314
Building and improvements	65,322,337
Furniture and equipment	4,939,646
Subtotal	<u>\$ 72,327,297</u>
Less - accumulated depreciation	(10,585,995)
Capital assets, net	<u>\$ 61,741,302</u>
Net pension asset	<u>\$ 939,539</u>
Total noncurrent assets	<u>\$ 69,844,342</u>
Total assets	<u>\$ 74,112,911</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	\$ 998,248
OPEB related items	<u>58,187</u>
Total deferred outflows of resources	<u>\$ 1,056,435</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 180,494
Accrued salaries	380,252
Accrued interest payable	491,597
Compensated absences - current portion	49,695
Revenue bond - current portion (including current portion of unamortized premium of \$184,916)	<u>1,229,916</u>
Total current liabilities	<u>\$ 2,331,954</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 293,032
Net OPEB liabilities	372,000
Revenue bond - net of current portion (including noncurrent portion of unamortized premium of \$4,253,068)	<u>45,458,068</u>
Total noncurrent liabilities	<u>\$ 46,123,100</u>
Total liabilities	<u>\$ 48,455,054</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related items	\$ 363,453
OPEB related items	<u>67,000</u>
Total deferred inflows of resources	<u>\$ 430,453</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 15,053,318
Restricted for:	
Debt service	4,301,572
Unrestricted	<u>6,928,949</u>
Total net position	<u>\$ 26,283,839</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, 2019**

Operating revenues:	
Commonwealth of Virginia per diems	\$ 1,030,325
Commonwealth of Virginia reimbursements	5,110,434
Member locality per diems	6,602,043
Other locality per diems	822,432
Telephone revenue	285,174
Inmate keep fees	176,233
Electronic monitoring fees	41,310
Pre-trial drug and alcohol fees	31,329
Work release	332,234
Medical co-pays	35,598
Miscellaneous revenues	66,345
Total operating revenues	\$ <u>14,533,457</u>
Operating expenses:	
Jail operations:	
Personnel services	\$ 5,742,633
Employee benefits	2,382,491
Medical services	630,676
Other purchased services	756,145
Other charges	1,143,059
Material and supplies	367,565
Noncapital equipment	68,371
Depreciation expense	2,363,885
Total operating expenses	\$ <u>13,454,825</u>
Operating income (loss)	\$ <u>1,078,632</u>
Nonoperating revenues (expenses):	
Interest revenue	\$ 75,065
Gain (loss) on sale of assets	(1,932)
Unrealized gain (loss) on investments	113,848
Federal and Commonwealth grant revenue	48,942
Interest and fiscal charges	<u>(1,786,890)</u>
Total nonoperating revenues (expenses)	\$ <u>(1,550,967)</u>
Change in net position	\$ (472,335)
Total net position - beginning of year	<u>26,756,174</u>
Total net position - end of year	\$ <u><u>26,283,839</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, 2019**

Cash flows from operating activities:	
Receipts from participating jurisdictions	\$ 13,498,525
Payments to suppliers	(2,917,502)
Payments to employees	(8,273,553)
Other operating revenues	<u>336,897</u>
Net cash provided by (used for) operating activities	<u>\$ 2,644,367</u>
Cash flows from noncapital financing activities:	
Federal and Commonwealth grant revenue	<u>\$ 48,942</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ 48,942</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (103,064)
Sale of capital assets	7,400
Principal paid on capital debt	(1,204,916)
Interest paid on capital debt	<u>(1,792,309)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (3,092,889)</u>
Cash flows from investing activities:	
Interest received	\$ 75,065
Sale (purchase) of investments	<u>(400)</u>
Net cash provided by (used for) investing activities	<u>\$ 74,665</u>
Net increase (decrease) in cash and cash equivalents	\$ (324,915)
Cash and cash equivalents at beginning of year, including restricted cash of \$4,050,237	<u>7,232,261</u>
Cash and cash equivalents at end of year, including restricted cash of \$4,138,228	<u><u>\$ 6,907,346</u></u>
Reconciliation of operating income (loss) to net cash used for operating activities:	
Operating income (loss)	<u>\$ 1,078,632</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 2,363,885
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(increase) decrease in accounts receivable	(631,326)
(Increase) decrease in due from other governments	(66,709)
(Increase) decrease in prepaid expenses	(629)
(Increase) decrease in deferred outflows of resources	167,455
(Increase) decrease in net pension asset	(440,189)
Increase (decrease) in accounts payable	48,943
Increase (decrease) in accrued salaries	63,436
Increase (decrease) in compensated absences	18,229
Increase (decrease) in deferred inflows of resources	27,640
Increase (decrease) in net OPEB liabilities	<u>15,000</u>
Total adjustments	<u>\$ 1,565,735</u>
Net cash provided by (used for) operating activities	<u><u>\$ 2,644,367</u></u>
Noncash investing activities:	
Increase (decrease) in fair value of investments - debt service reserve fund	<u>\$ 113,848</u>

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

RSW REGIONAL JAIL AUTHORITY

Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2019

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>243,200</u>
<b>LIABILITIES</b>	
Amounts held for inmates	\$ <u>243,200</u>

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

**RSW REGIONAL JAIL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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**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**

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis (Management has elected not to prepare the MD&A in the current year)
- 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
  - 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, 2019 (CONTINUED)**

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

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**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.

**E. Capital Assets**

Capital assets of the Authority that are purchased or constructed are stated at cost, including interest cost on funds borrowed to finance the construction of major capital items. The capitalization threshold is \$5,000 with an estimated useful life of greater than one year. Capital assets are depreciated 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

Depreciation recognized on capital assets is charged as an expense against operations.

**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, 2019. The Authority has SNAP External Investment Pool accounts that are reported at amortized cost at June 30, 2019.

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

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**H. Cash and Cash Equivalents**

The Authority's cash and cash equivalents are considered to be 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**

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

**K. Net Position Flow Assumption**

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 the 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.

**L. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category. These items are comprised of certain items related to the measurement of the net pension asset and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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 one type of item that qualifies for reporting in this category. This item is comprised of certain items related to the measurement of the net pension asset and net OPEB liabilities. For more detailed information on this item, reference the related notes.

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

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**M. 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 net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**N. 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' net fiduciary 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.

**NOTE 2—ADOPTION OF ACCOUNTING PRINCIPLES:**

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The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. The Statement clarified which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in the notes to financial statements. No restatement was required as a result of this implementation.

**NOTE 3—DEPOSITS AND INVESTMENTS:**

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**Deposits**

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.

**Investments**

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 and certain corporate notes, banker's acceptances, repurchase agreements, and State Treasurer's Local Government Investment Pool (LGIP).

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

**NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)**

**Credit Risk of Debt Securities**

The Authority's debt investments as of June 30, 2019 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<u>Rated Debt Investments</u>	<u>Rated Debt Investments' Values</u>	
	<u>Fair Quality Ratings</u>	
	<u>AAA</u>	<u>AAAm</u>
SNAP External Investment Pool	\$ -	\$ 199,215
U.S. Treasury Note	2,826,058	-
Total	<u>\$ 2,826,058</u>	<u>\$ 199,215</u>

**Interest Rate Risk**

The Authority invests funds in low risk investments as follows.

	<u>Fair Value</u>	<u>Less than 1 yr</u>	<u>1-5 years</u>
SNAP	\$ 199,215	\$ 199,215	\$ -
U.S. Treasury Note	2,826,058	-	2,826,058
Total	<u>\$ 3,025,273</u>	<u>\$ 199,215</u>	<u>\$ 2,826,058</u>

**External Investment Pool**

The value of the positions in the external investment pool (State Non-Arbitrage Pool) is the same as the value of the pool shares. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

**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

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

**NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)**

**Fair Value Measurements (Continued)**

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, 2019:

Investment type	Fair Value 6/30/2019	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	\$ 2,826,058	\$ 2,826,058	\$ -	\$ -
Cash and Cash Equivalents:				
Money Market Mutual Funds	1,276,299	1,276,299	-	-
Total	<u>\$ 4,102,357</u>	<u>\$ 4,102,357</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	\$ <u>732,838</u>
Total	\$ <u><u>732,838</u></u>

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**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

**NOTE 5—CAPITAL ASSETS:**

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

	Balance		Balance	
	July 1, 2018	Additions	Deletions	June 30, 2019
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	\$ 65,301,310	\$ 21,027	\$ -	\$ 65,322,337
Furniture and equipment	4,879,385	82,037	(21,776)	4,939,646
Total depreciable capital assets	\$ 70,180,695	\$ 103,064	\$ (21,776)	\$ 70,261,983
Accumulated depreciation				
Building and improvements	\$ 5,950,531	\$ 1,702,590	\$ -	\$ 7,653,121
Furniture and equipment	2,284,022	661,295	(12,443)	2,932,874
Accumulated depreciation	\$ 8,234,553	\$ 2,363,885	\$ (12,443)	\$ 10,585,995
Total depreciable capital assets, net	\$ 61,946,142	\$ (2,260,821)	\$ (9,333)	\$ 59,675,988
Total capital assets, net	\$ 64,011,456	\$ (2,260,821)	\$ (9,333)	\$ 61,741,302

**NOTE 6—LONG-TERM OBLIGATIONS:**

The following is a summary of the Authority's long-term obligation transactions for the year ended June 30, 2019:

	Balance		Balance		Amount
	July 1, 2018	Issuances	Retirements	June 30, 2019	Due Within One Year
Revenue bond	\$ 43,270,000	\$ -	\$ 1,020,000	\$ 42,250,000	\$ 1,045,000
Premium on bond issue	4,622,900	-	184,916	4,437,984	184,916
Net OPEB liabilities	357,000	110,000	95,000	372,000	-
Compensated absences	324,498	856,818	838,589	342,727	49,695
Total Long-Term Obligations	\$ 48,574,398	\$ 966,818	\$ 2,138,505	\$ 47,402,711	\$ 1,279,611

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

**NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)**

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

Year Ending June 30,	Revenue Bond	
	Principal	Interest
2020	\$ 1,045,000	\$ 1,950,060
2021	1,075,000	1,920,685
2022	1,100,000	1,895,950
2023	1,125,000	1,867,940
2024	1,170,000	1,823,387
2025 - 2029	6,690,000	8,288,055
2030 - 2034	8,385,000	6,588,436
2035 - 2039	10,795,000	4,179,392
2040 - 2043	10,865,000	1,118,177
Total	<u>\$ 42,250,000</u>	<u>\$ 29,632,082</u>

Details of Long-Term Obligations:

	Total Amount	Amount Due Within One Year
Revenue bond:		
\$45,240,000 issued April 30, 2012 at a premium of \$4,992,732, due in varying annual principal installments, interest payable semi-annual at interest rates varying from 2.125% to 5.125% through April 1, 2043	\$ 42,250,000	\$ 1,045,000
Unamortized bond premium	\$ 4,437,984	\$ 184,916
Net OPEB liabilities	\$ 372,000	\$ -
Compensated absences	\$ 342,727	\$ 49,695
Total long-term obligations	<u>\$ 47,402,711</u>	<u>\$ 1,279,611</u>

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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**NOTE 7—PENSION PLANS:**

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***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 hired 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 creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. 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 creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 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 creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired 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 creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. 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, 2019 (CONTINUED)**

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**NOTE 7—PENSION PLANS: (CONTINUED)**

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***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 creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% 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 1.7% 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 creditable service 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 creditable service 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, 2017 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	6
Inactive members:	
Vested inactive members	6
Non-vested inactive members	39
Inactive members active elsewhere in VRS	<u>28</u>
Total inactive members	73
Active members	<u>103</u>
Total covered employees	<u><u>182</u></u>

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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**NOTE 7—PENSION PLANS: (CONTINUED)**

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***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, 2019 was 11.2% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$537,630 and \$644,236 for the years ended June 30, 2019 and June 30, 2018, 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, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

***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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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**NOTE 7—PENSION PLANS: (CONTINUED)**

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***Actuarial Assumptions – General Employees (Continued)***

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

**NOTE 7—PENSION PLANS: (CONTINUED)**

***Actuarial Assumptions – General Employees (Continued)***

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

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

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

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

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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**NOTE 7—PENSION PLANS: (CONTINUED)**

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***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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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**NOTE 7—PENSION PLANS: (CONTINUED)**

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

**NOTE 7—PENSION PLANS: (CONTINUED)**

***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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. 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, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 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, 2019 (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, 2017	\$ 2,136,778	\$ 2,636,128	\$ (499,350)
Changes for the year:			
Service cost	\$ 624,396	\$ -	\$ 624,396
Interest	144,827	-	144,827
Differences between expected and actual experience	(125,001)	-	(125,001)
Contributions - employer	-	644,243	(644,243)
Contributions - employee	-	225,181	(225,181)
Net investment income	-	216,432	(216,432)
Benefit payments, including refunds of employee contributions	(135,649)	(135,649)	-
Administrative expenses	-	(1,223)	1,223
Other changes	-	(222)	222
Net changes	\$ 508,573	\$ 948,762	\$ (440,189)
Balances at June 30, 2018	\$ 2,645,351	\$ 3,584,890	\$ (939,539)

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

**NOTE 7—PENSION PLANS: (CONTINUED)**

***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 (7.00%), 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>Rate</b>		
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(6.00%)</b>	<b>(7.00%)</b>	<b>(8.00%)</b>
Authority's Net Pension (Asset) Liability	\$ (407,030)	\$ (939,539)	\$ (1,358,583)

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

For the year ended June 30, 2019, the Authority recognized pension expense of \$337,268. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 460,618	\$ 285,731
Change in assumptions	-	23,207
Net difference between projected and actual earnings on plan investments	-	54,515
Employer contributions subsequent to the measurement date	537,630	-
<b>Total</b>	<b>\$ 998,248</b>	<b>\$ 363,453</b>

\$537,630 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, 2020. 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:

<b><u>Year ended June 30,</u></b>	
2020	\$ 1,942
2021	110
2022	(8,725)
2023	16,367
2024	84,723
Thereafter	2,748

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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**NOTE 7—PENSION PLANS: (CONTINUED)**

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***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

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***Plan Description***

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program 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 Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

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

***Eligible Employees***

The GLI Program was established in July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. 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 Program 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 program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt 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 creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

**Contributions**

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$25,606 and \$24,082 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$370,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.024360% as compared to 0.02360% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of (\$3,000.) 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, 2019, 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	\$ 18,000	\$ 7,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	12,000
Change in assumptions	-	15,000
Changes in proportion	10,000	33,000
Employer contributions subsequent to the measurement date	<u>25,606</u>	<u>-</u>
Total	<u>\$ 53,606</u>	<u>\$ 67,000</u>

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

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

\$25,606 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, 2020. 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>		
2020	\$	(11,000)
2021		(11,000)
2022		(11,000)
2023		(8,000)
2024		2,000
Thereafter		-

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates include herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5%-5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

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***Actuarial Assumptions (Continued)***

**Mortality Rates – Largest Ten Locality Employers – General Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

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**Actuarial Assumptions: (Continued)**

**Mortality Rates – Non-Largest Ten Locality Employers – General Employees (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

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**Actuarial Assumptions: (Continued)**

**Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

**Actuarial Assumptions: (Continued)**

**Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

		<b>Group Life Insurance OPEB Program</b>
		<hr/>
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <hr/> 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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.

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

***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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

***Discount Rate***

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, 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, 2018 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.

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

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***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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
RSW Regional Jail Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 484,000	\$ 370,000	\$ 278,000

***GLI Program Fiduciary Net Position***

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

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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, 2019 was \$28,250.

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

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***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 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 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.

***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.

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

***Contributions***

The contribution requirements for active Hybrid 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, 2019 was 0.72% 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, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS Political Subdivision VLDP from the entity were \$4,581 and \$3,380 for the years ended June 30, 2019 and June 30, 2018, respectively.

***VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB***

At June 30, 2019, the Authority reported a liability of \$2,000 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2018 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of that date. The Authority’s proportion of the Net VLDP OPEB Liability was based on the Authority’s actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Authority’s proportion of the VLDP was 0.23204% as compared to 0.30127% at June 30, 2017.

For the year ended June 30, 2019, the Authority recognized VLDP OPEB expense of \$4,000. 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.

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Employer contributions subsequent to the measurement date	\$ <u>4,581</u>	\$ <u>-</u>
Total	\$ <u><u>4,581</u></u>	\$ <u><u>-</u></u>

\$4,581 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, 2020. No other amounts were reported as deferred outflows of resources or deferred inflows of resources related to the VLDP OPEB for fiscal year ending June 30, 2019.

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

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***Actuarial Assumptions***

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation: Political Subdivision Employees	3.5%-5.35%
Investment rate of return	7.0%, net of plan investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

**Actuarial Assumptions: (Continued)**

**Mortality Rates – Largest Ten Locality Employers – General and Non-Hazardous Duty Employees (Continued)**

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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

***Net VLDP OPEB Liability***

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, 2018, NOL amounts for the VRS Political Subdivision Employee VLDP is as follows (amounts expressed in thousands):

	<b>Political Subdivision Employee VLDP OPEB Plan</b>	
	<hr/>	
Total Political Subdivision VLDP OPEB Liability	\$	1,588
Plan Fiduciary Net Position		816
Political Subdivision net VLDP OPEB Liability (Asset)	\$	<u>772</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		51.39%

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	<u>7.30%</u>

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (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 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

***Discount Rate***

The discount rate used to measure the total VLDP OPEB was 7.00%. 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, 2018, 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, 2018 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 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>Rate</b>		
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(6.00%)</b>	<b>(7.00%)</b>	<b>(8.00%)</b>
RSW Regional Jail Authority's proportionate share of the Net VLDP OPEB Liability	\$ 2,000	\$ 2,000	\$ 1,000

***VLDP OPEB Fiduciary Net Position***

Detailed information about the VRS Political Subdivision VLDP's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 (CONTINUED)**

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

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The following is a summary of the Commission’s OPEB plans as of June 30, 2019:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Program (Note 8)	\$ 53,606	\$ 67,000	\$ 370,000	\$ (3,000)
Virginia Local Disability Program (Note 10)	4,581	-	2,000	4,000
Totals	<u>\$ 58,187</u>	<u>\$ 67,000</u>	<u>\$ 372,000</u>	<u>\$ 1,000</u>

**NOTE 12—BOARD DESIGNATED RESERVES:**

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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, 2019, the Authority had \$2,453,921 and \$408,008 designated as operating and capital reserves, respectively.

**NOTE 13—LITIGATION:**

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At June 30, 2019, 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:**

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Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government’s majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 (CONTINUED)**

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**NOTE 14—UPCOMING PRONOUNCEMENTS: (CONTINUED)**

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Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

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**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, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>				
Service cost	\$ 624,396	\$ 812,763	\$ 890,276	\$ -
Interest	144,827	109,633	(711)	(33)
Differences between expected and actual experience	(125,001)	(277,470)	735,340	-
Changes in assumptions	-	(34,927)	-	-
Benefit payments, including refunds of employee contributions	(135,649)	(78,808)	(18,334)	(951)
<b>Net change in total pension liability</b>	\$ 508,573	\$ 531,191	\$ 1,606,571	\$ (984)
<b>Total pension liability (asset) - beginning</b>	<u>2,136,778</u>	<u>1,605,587</u>	<u>(984)</u>	<u>-</u>
<b>Total pension liability (asset) - ending (a)</b>	<u>\$ 2,645,351</u>	<u>\$ 2,136,778</u>	<u>\$ 1,605,587</u>	<u>\$ (984)</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 644,243	\$ 597,364	\$ 573,095	\$ 566,835
Contributions - employee	225,181	208,573	231,081	241,286
Net investment income	216,432	256,174	41,208	19,120
Benefit payments, including refunds of employee contributions	(135,649)	(78,808)	(18,334)	(951)
Administrative expense	(1,223)	(746)	(39)	546
Other	(222)	(258)	(11)	(7)
<b>Net change in plan fiduciary net position</b>	\$ 948,762	\$ 982,299	\$ 827,000	\$ 826,829
<b>Plan fiduciary net position - beginning</b>	<u>2,636,128</u>	<u>1,653,829</u>	<u>826,829</u>	<u>-</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 3,584,890</u>	<u>\$ 2,636,128</u>	<u>\$ 1,653,829</u>	<u>\$ 826,829</u>
<b>Authority's net pension asset - ending (a) - (b)</b>	\$ (939,539)	\$ (499,350)	\$ (48,242)	\$ (827,813)
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	135.52%	123.37%	103.00%	-84027.34%
<b>Covered payroll</b>	\$ 4,616,270	\$ 4,298,097	\$ 4,693,608	\$ 4,652,226
<b>Authority's net pension asset as a percentage of covered payroll</b>	-20.35%	-11.62%	-1.03%	-17.79%

Schedule is intended to show information for 10 years. Information prior to the 2015 valuation is not available. However, additional years will be included as they become available.

## RSW REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions  
Pension Plan

Years Ended June 30, 2015 through June 30, 2019

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)		
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%

Schedule is intended to show information for 10 years. Information prior to the 2015 valuation is not available. However, additional years will be included as they become available.

RSW REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information  
Pension Plan  
Year Ended June 30, 2019

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

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty:

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

## RSW REGIONAL JAIL AUTHORITY

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

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)
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 Program  
Years Ended June 30, 2015 through June 30, 2019**

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<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
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 Program  
For the Year Ended June 30, 2019**

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

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

**Largest Ten Locality Employers - General Employees**

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

**Non-Largest Ten Locality Employers - General Employees**

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

**Largest Ten Locality Employers - Hazardous Duty Employees**

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

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

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

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, 2018 and 2017

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (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 (6)
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, 2019

<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>
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, 2019

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

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

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

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

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

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

## **OTHER SUPPLEMENTARY INFORMATION**

RSW REGIONAL JAIL AUTHORITY

Combining Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2019

	<u>Inmate Benefits Account</u>	<u>Canteen Account</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 156,049	\$ 87,151	\$ 243,200
Total assets	<u>\$ 156,049</u>	<u>\$ 87,151</u>	<u>\$ 243,200</u>
<b>Liabilities</b>			
Amounts held for inmates	\$ 156,049	\$ 87,151	\$ 243,200
Total liabilities	<u>\$ 156,049</u>	<u>\$ 87,151</u>	<u>\$ 243,200</u>

## RSW REGIONAL JAIL AUTHORITY

**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2019**

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>Inmate Benefits Account:</b>				
Assets:				
Cash and cash equivalents	\$ 82,441	\$ 1,541,390	\$ 1,467,782	\$ 156,049
Liabilities:				
Amounts held for inmates	\$ 82,441	\$ 1,541,390	\$ 1,467,782	\$ 156,049
<b>Canteen Account</b>				
Assets:				
Cash and cash equivalents	\$ 143,779	\$ 515,544	\$ 572,172	\$ 87,151
Liabilities:				
Amounts held for inmates	\$ 143,779	\$ 515,544	\$ 572,172	\$ 87,151
<b>TOTALS:</b>				
Assets:				
Cash and cash equivalents:				
Inmate Benefits Account	\$ 82,441	\$ 1,541,390	\$ 1,467,782	\$ 156,049
Canteen Account	143,779	515,544	572,172	87,151
	<u>\$ 226,220</u>	<u>\$ 2,056,934</u>	<u>\$ 2,039,954</u>	<u>\$ 243,200</u>
Liabilities:				
Amounts held for inmates:				
Inmate Benefits Account	\$ 82,441	\$ 1,541,390	\$ 1,467,782	\$ 156,049
Canteen Account	143,779	515,544	572,172	87,151
	<u>\$ 226,220</u>	<u>\$ 2,056,934</u>	<u>\$ 2,039,954</u>	<u>\$ 243,200</u>

## RSW REGIONAL JAIL AUTHORITY

**Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual  
Year Ended June 30, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget- Positive (Negative)</u>
Operating Revenues:			
Commonwealth of Virginia per diems	\$ 770,000	\$ 1,030,325	\$ 260,325
Commonwealth of Virginia reimbursements	5,328,200	5,110,434	(217,766)
Member locality per diems	7,813,532	6,602,043	(1,211,489)
Other locality per diems	170,000	822,432	652,432
Telephone revenue	185,000	285,174	100,174
Inmate keep fees	140,000	176,233	36,233
Electronic monitoring fees	45,000	41,310	(3,690)
Pre-trial drug and alcohol fees	25,000	31,329	6,329
Work release	140,000	332,234	192,234
Medical co-pays	35,400	35,598	198
Miscellaneous revenues	3,000	66,345	63,345
Total operating revenues	<u>\$ 14,655,132</u>	<u>\$ 14,533,457</u>	<u>\$ (121,675)</u>
Operating Expenses:			
Jail operations:			
Personnel services	\$ 6,178,282	\$ 5,742,633	\$ 435,649
Employee benefits	2,918,454	2,382,491	535,963
Medical services	690,537	630,676	59,861
Other purchased services	665,873	756,145	(90,272)
Other charges	866,730	1,143,059	(276,329)
Material and supplies	281,700	367,565	(85,865)
Noncapital equipment	43,000	68,371	(25,371)
Depreciation expense	-	2,363,885	(2,363,885)
Total operating expenses	<u>\$ 11,644,576</u>	<u>\$ 13,454,825</u>	<u>\$ (1,810,249)</u>
Operating income (loss)	<u>\$ 3,010,556</u>	<u>\$ 1,078,632</u>	<u>\$ (1,931,924)</u>
Nonoperating Revenues (Expenses):			
Interest revenue	\$ -	\$ 75,065	\$ 75,065
Unrealized gain (loss) on investments	-	113,848	113,848
Gain (loss) on sale of capital asset	-	(1,932)	(1,932)
Federal and Commonwealth grant revenue	-	48,942	48,942
Interest and fiscal charges	(3,010,556)	(1,786,890)	1,223,666
Total nonoperating revenues (expenses)	<u>\$ (3,010,556)</u>	<u>\$ (1,550,967)</u>	<u>\$ 1,459,589</u>
Change in net position	\$ -	\$ (472,335)	\$ (472,335)
Net position, beginning of year	-	26,756,174	26,756,174
Net position, end of year	<u>\$ -</u>	<u>\$ 26,283,839</u>	<u>\$ 26,283,839</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***

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**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, 2019, 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 November 12, 2019.

**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) to determine the 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 may exist that have not been identified.

**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 12, 2019