

RSW REGIONAL JAIL AUTHORITY



FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

RSW REGIONAL JAIL AUTHORITY
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

**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, 2020, 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, 2020, 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.

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 39-48 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 19, 2020, 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 19, 2020

BASIC FINANCIAL STATEMENTS

RSW REGIONAL JAIL AUTHORITY

Statement of Net Position
June 30, 2020**ASSETS**

Current assets:

Cash and cash equivalents	\$ 4,111,095
Accounts receivable	173,454
Due from other governments	725,151
Prepaid expenses	16,556
Total current assets	<u>\$ 5,026,256</u>

Noncurrent assets:

Restricted assets:

Cash and cash equivalents held for debt service	\$ 1,379,109
Cash and cash equivalents for operating reserve	2,810,809
Cash and cash equivalents for capital reserve	482,950
Investments held for debt service	2,933,560
Total restricted assets	<u>\$ 7,606,428</u>

Capital assets:

Land	\$ 2,065,314
Building and improvements	65,373,593
Furniture and equipment	5,012,694
Subtotal	<u>\$ 72,451,601</u>
Less - accumulated depreciation	(12,773,019)
Capital assets, net	<u>\$ 59,678,582</u>

Net pension asset

Net pension asset	<u>\$ 1,080,544</u>
Total noncurrent assets	<u>\$ 68,365,554</u>
Total assets	<u>\$ 73,391,810</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related items	\$ 1,059,834
OPEB related items	107,209
Total deferred outflows of resources	<u>\$ 1,167,043</u>

LIABILITIES

Current liabilities:

Accounts payable	\$ 284,110
Accrued salaries	366,723
Accrued interest payable	331,979
Compensated absences - current portion	60,756
Revenue bond - current portion (including current portion of unamortized premium/discount)	1,549,947
Total current liabilities	<u>\$ 2,593,515</u>

Noncurrent liabilities:

Compensated absences - net of current portion	\$ 358,250
Net OPEB liabilities	412,940
Revenue bond - net of current portion (including noncurrent portion of unamortized premium/discount)	43,713,082
Total noncurrent liabilities	<u>\$ 44,484,272</u>
Total liabilities	<u>\$ 47,077,787</u>

DEFERRED INFLOWS OF RESOURCES

Pension related items	\$ 432,392
OPEB related items	52,099
Deferred charge on refunding	524,409
Total deferred inflows of resources	<u>\$ 1,008,900</u>

NET POSITION

Net investment in capital assets	\$ 13,891,144
Restricted for:	
Debt service	4,312,669
Unrestricted	<u>8,268,353</u>
Total net position	<u>\$ 26,472,166</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, 2020

Operating revenues:		
Commonwealth of Virginia per diems	\$	1,071,902
Commonwealth of Virginia reimbursements		5,223,878
Member locality per diems		6,773,259
Other locality per diems		1,840,660
Telephone revenue		281,643
Inmate keep fees		181,179
Pre-trial drug and alcohol fees		15,294
Work release		265,433
Medical co-pays		35,967
Miscellaneous revenues		25,360
Total operating revenues	\$	<u>15,714,575</u>
Operating expenses:		
Jail operations:		
Personnel services	\$	6,204,610
Employee benefits		2,458,031
Medical services		595,237
Other purchased services		765,547
Other charges		1,142,480
Material and supplies		425,105
Noncapital equipment		148,399
Depreciation expense		2,221,601
Total operating expenses	\$	<u>13,961,010</u>
Operating income (loss)	\$	<u>1,753,565</u>
Nonoperating revenues (expenses):		
Interest revenue	\$	70,145
Gain (loss) on sale of assets		(13,831)
Unrealized gain (loss) on investments		107,100
Federal and Commonwealth grant revenue		29,841
Bond issuance cost		(414,196)
Interest and fiscal charges		<u>(1,344,297)</u>
Total nonoperating revenues (expenses)	\$	<u>(1,565,238)</u>
Change in net position	\$	188,327
Total net position - beginning of year		<u>26,283,839</u>
Total net position - end of year	\$	<u><u>26,472,166</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, 2020

Cash flows from operating activities:	
Receipts from participating jurisdictions	\$ 14,917,386
Payments to suppliers	(2,973,347)
Payments to employees	(8,756,526)
Other operating revenues	1,381,674
Net cash provided by (used for) operating activities	<u>\$ 4,569,187</u>
Cash flows from noncapital financing activities:	
Federal and Commonwealth grant revenue	\$ 29,841
Net cash provided by (used for) noncapital financing activities	<u>\$ 29,841</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (172,712)
Principal paid on capital debt	(38,950,000)
Interest paid on capital debt	(5,159,461)
Bond issue cost	(414,196)
Issuances of capital debt	41,705,000
Net cash provided by (used for) capital and related financing activities	<u>\$ (2,991,369)</u>
Cash flows from investing activities:	
Interest received	\$ 70,145
Sale (purchase) of investments	198,813
Net cash provided by (used for) investing activities	<u>\$ 268,958</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,876,617
Cash and cash equivalents at beginning of year, including restricted cash of \$4,138,228	<u>6,907,346</u>
Cash and cash equivalents at end of year, including restricted cash of \$4,672,868	<u><u>\$ 8,783,963</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 1,753,565
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 2,221,601
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(increase) decrease in accounts receivable	576,798
(Increase) decrease in due from other governments	7,687
(Increase) decrease in prepaid expenses	(195)
(Increase) decrease in deferred outflows of resources	(110,608)
(Increase) decrease in net pension asset	(141,005)
Increase (decrease) in accounts payable	103,616
Increase (decrease) in accrued salaries	(13,529)
Increase (decrease) in compensated absences	76,279
Increase (decrease) in deferred inflows of resources	54,038
Increase (decrease) in net OPEB liabilities	40,940
Total adjustments	<u>\$ 2,815,622</u>
Net cash provided by (used for) operating activities	<u>\$ 4,569,187</u>
Noncash investing activities:	
Disposal of furniture and equipment	\$ (13,831)
Increase (decrease) in fair value of investments - debt service reserve fund	107,100
Total noncash investing activities	<u>\$ 93,269</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, 2020**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>220,275</u>
LIABILITIES	
Amounts held for inmates	\$ <u>220,275</u>

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

RSW REGIONAL JAIL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose

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

B. Financial Reporting Entity

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

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

C. Basic Financial Statements and Required Supplementary Information

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, 2020 (CONTINUED)**

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

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

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

D. Basis of Accounting

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

Operating revenues and expenses generally result from providing services in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority are charges to member jurisdictions and bed rentals. Operating expenses include the cost of services and administrative expenses.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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, 2020.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

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

H. Cash and Cash Equivalents

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

I. Inventory

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

J. Net Position

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

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

K. Deferred Outflows/Inflows of Resources (Continued)

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 two types of items that qualify for reporting in this category. One item is the deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred charge on refunding as of June 30, 2020 amounted to \$524,409. The second 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.

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—DEPOSITS AND INVESTMENTS:

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.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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 that has received at least two of the following ratings: P-1 by Moody’s Investor Service, Inc.; A-1 by Standard and Poor’s ; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The Authority’s debt investments as of June 30, 2020 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale.

Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAA
U.S. Treasury Note	\$ 2,933,560
Total	\$ 2,933,560

Interest Rate Risk

The Authority invests funds in low risk investments as follows.

	Fair Value	Less than 1 yr	1-5 years
U.S. Treasury Note	\$ 2,933,560	\$ -	\$ 2,933,560
Total	\$ 2,933,560	\$ -	\$ 2,933,560

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RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements

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

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

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

The Authority has the following recurring fair value measurements as of June 30, 2020:

Investment type	Fair Value 6/30/2020	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	\$ 2,933,560	\$ 2,933,560	\$ -	\$ -
Cash and Cash Equivalents:				
Money Market Mutual Funds	1,379,109	1,379,109	-	-
Total	\$ <u>4,312,669</u>	\$ <u>4,312,669</u>	\$ <u>-</u>	\$ <u>-</u>

NOTE 3—DUE FROM OTHER GOVERNMENTS:

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

Commonwealth of Virginia	\$ <u>725,151</u>
Total	\$ <u>725,151</u>

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 4—CAPITAL ASSETS:

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

	Balance		Balance	
	July 1, 2019	Additions	Deletions	June 30, 2020
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	\$ 65,322,337	\$ 51,256	\$ -	\$ 65,373,593
Furniture and equipment	4,939,646	121,456	(48,408)	5,012,694
Total depreciable capital assets	\$ 70,261,983	\$ 172,712	\$ (48,408)	\$ 70,386,287
Accumulated depreciation				
Building and improvements	\$ 7,653,121	\$ 1,706,737	\$ -	\$ 9,359,858
Furniture and equipment	2,932,874	514,864	(34,577)	3,413,161
Accumulated depreciation	\$ 10,585,995	\$ 2,221,601	\$ (34,577)	\$ 12,773,019
Total depreciable capital assets, net	\$ 59,675,988	\$ (2,048,889)	\$ (13,831)	\$ 57,613,268
Total capital assets, net	\$ 61,741,302	\$ (2,048,889)	\$ (13,831)	\$ 59,678,582

NOTE 5—LONG-TERM OBLIGATIONS:

The following is a summary of the Authority's long-term obligation transactions for the year ended June 30, 2020:

	Balance			Balance	Amount
	July 1,	Issuances	Retirements	June 30,	Due
	2019			2020	Within
					One Year
Direct Borrowings and Placements:					
Revenue bonds	\$ 42,250,000	\$ 41,705,000	\$ 38,950,000	\$ 45,005,000	\$ 1,440,000
Unamortized bond premium	4,437,984	-	4,097,369	340,615	113,538
Unamortized bond discount	-	(82,586)	-	(82,586)	(3,591)
Total Direct Borrowings and Placements	\$ 46,687,984	\$ 41,622,414	\$ 43,047,369	\$ 45,263,029	\$ 1,549,947
Other Long-Term Obligations					
Net OPEB liabilities	\$ 372,000	\$ 151,169	\$ 110,229	\$ 412,940	\$ -
Compensated absences	342,727	1,047,515	971,236	419,006	60,756
Total Other Long-Term Obligations	\$ 714,727	\$ 1,198,684	\$ 1,081,465	\$ 831,946	\$ 60,756
Total Long-Term Obligations	\$ 47,402,711	\$ 42,821,098	\$ 44,128,834	\$ 46,094,975	\$ 1,610,703

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 5—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
2021	\$ 1,440,000	\$ 1,311,308
2022	1,470,000	1,279,300
2023	1,505,000	1,243,664
2024	1,540,000	1,206,983
2025	1,575,000	1,172,933
2026 - 2030	8,485,000	5,257,862
2031 - 2035	9,745,000	3,995,110
2036 - 2040	11,405,000	2,327,014
2041 - 2043	7,840,000	408,653
Total	\$ <u>45,005,000</u>	\$ <u>18,202,827</u>

Details of Long-Term Obligations:

	Total Amount	Amount Due Within One Year
Direct Borrowings and Direct Placements:		
Revenue bonds:		
\$45,240,000 issued April 30, 2012 at a premium of \$4,992,732, due in varying annual principal installments, interest payable semi-annually at interest rates varying from 2.125% to 5.125% through April 1, 2043	\$ 3,300,000	\$ 1,075,000
\$41,705,000 issued October 20, 2019 at a discount of \$82,585 and deferred amount of refunding of \$524,409, due in varying annual principal installments, interest payable semi-annually at interest rates from 1.952% to 3.424% through April 1, 2043	<u>41,705,000</u>	<u>365,000</u>
Total revenue bonds	\$ 45,005,000	1,440,000
Unamortized bond premium	\$ <u>340,615</u>	\$ <u>113,538</u>
Unamortized bond discount	\$ <u>(82,586)</u>	\$ <u>(3,591)</u>
Net OPEB liabilities	\$ <u>412,940</u>	\$ <u>-</u>
Compensated absences	\$ <u>419,006</u>	\$ <u>60,756</u>
Total long-term obligations	\$ <u><u>46,094,975</u></u>	\$ <u><u>1,610,703</u></u>

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 7—PENSION PLANS:

Plan Description

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

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees 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 service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees 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 service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees 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 service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 7—PENSION PLANS: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2018 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	7
Inactive members:	
Vested inactive members	7
Non-vested inactive members	45
Inactive members active elsewhere in VRS	<u>35</u>
Total inactive members	87
Active members	<u>121</u>
Total covered employees	<u><u>215</u></u>

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 7—PENSION PLANS: (CONTINUED)

Contributions

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

The Authority’s contractually required employer contribution rate for the year ended June 30, 2020 was 11.20% 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 \$571,749 and \$537,630 for the years ended June 30, 2020 and June 30, 2019, 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, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

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, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 7—PENSION PLANS: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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.

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

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 7—PENSION PLANS: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 7—PENSION PLANS: (CONTINUED)

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

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

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 60.00% to 45.00%
Line of Duty Disability	Decreased rate from 7.00% to 6.75%

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (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:

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 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, 2020 (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, 2018	\$ 2,645,351	\$ 3,584,890	\$ (939,539)
Changes for the year:			
Service cost	\$ 774,005	\$ -	\$ 774,005
Interest	183,076	-	183,076
Changes of assumptions	146,470	-	146,470
Differences between expected and actual experience	(191,554)	-	(191,554)
Contributions - employer	-	537,638	(537,638)
Contributions - employee	-	237,909	(237,909)
Net investment income	-	279,526	(279,526)
Benefit payments, including refunds of employee contributions	(59,959)	(59,959)	-
Administrative expenses	-	(1,888)	1,888
Other changes	-	(183)	183
Net changes	\$ 852,038	\$ 993,043	\$ (141,005)
Balances at June 30, 2019	\$ 3,497,389	\$ 4,577,933	\$ (1,080,544)

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (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 (6.75%), as well as what the Authority’s net pension (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Authority's Net Pension (Asset) Liability	\$ (376,953)	\$ (1,080,544)	\$ (1,615,807)

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

For the year ended June 30, 2020, the Authority recognized pension expense of \$438,105. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 369,044	\$ 371,228
Change of assumptions	119,041	17,347
Net difference between projected and actual earnings on plan investments	-	43,817
Employer contributions subsequent to the measurement date	571,749	-
Total	\$ 1,059,834	\$ 432,392

\$571,749 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2021	\$ (9,055)
2022	(17,890)
2023	7,202
2024	75,557
2025	(121)
Thereafter	-

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 7—PENSION PLANS: (CONTINUED)

Pension Plan Data

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

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

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, 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 service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% 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, 2020 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 Plan from the entity were \$27,289 and \$25,606 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the entity reported a liability of \$408,769 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.025120% as compared to 0.024360% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$5,809. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the 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	\$ 27,186	\$ 5,303
Net difference between projected and actual earnings on GLI OPEB plan investments	-	8,396
Change of assumptions	25,807	12,326
Changes in proportion	18,280	25,584
Employer contributions subsequent to the measurement date	<u>27,289</u>	<u>-</u>
Total	<u>\$ 98,562</u>	<u>\$ 51,609</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

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

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

\$27,289 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2021	\$ (2,191)
2022	(2,190)
2023	1,366
2024	8,692
2025	11,018
Thereafter	2,969

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates include herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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.

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

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
		<hr/>
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
GLI Net OPEB Liability (Asset)	\$	<hr/> <hr/> 1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

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

NET GLI OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

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

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

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

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

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

Discount Rate

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

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
RSW Regional Jail Authority's proportionate share of the GLI Plan Net OPEB Liability	\$ 537,009	\$ 408,769	\$ 304,769

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

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

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

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

The current-year OPEB expense for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Authority's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The Authority's LODA premium for the year ended June 30, 2020 was \$30,537.

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

Plan Description

Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia.

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

Eligible Employees

The Political Subdivision VLDP was implemented January 1, 2014 to provide disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision VLDP.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

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

Benefit Amounts

The VLDP provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related for work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The VLDP provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

VLDP Notes

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2020 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 \$6,421 and \$4,581 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the Authority reported a liability of \$4,171 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2019 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Authority's proportion of the Net VLDP OPEB Liability was based on the Authority's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Authority's proportion of the VLDP was 0.20589% as compared to 0.23204% at June 30, 2018.

For the year ended June 30, 2020, the Authority recognized VLDP OPEB expense of \$4,861. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 (CONTINUED)

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

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

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,092	\$ 128
Net difference between projected and actual earnings on VLDP OPEB program investments	14	-
Change of assumptions	120	160
Changes in proportion	-	202
Employer contributions subsequent to the measurement date	<u>6,421</u>	<u>-</u>
Total	<u>\$ 8,647</u>	<u>\$ 490</u>

\$6,421 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ 362
2022	359
2023	357
2024	361
2025	346
Thereafter	(49)

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

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

Actuarial Assumptions

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

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

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

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

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (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, 2019, NOL amounts for the VRS Political Subdivision Employee VLDP is as follows (amounts expressed in thousands):

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

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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (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 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, 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, 2019 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 6.75%, as well as what the Authority’s proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
RSW Regional Jail Authority's proportionate share of the Net VLDP OPEB Liability	\$ 4,797	\$ 4,171	\$ 3,624

VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

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

The following is a summary of the Commission's OPEB plans as of June 30, 2020:

	<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)	\$ 98,562	\$ 51,609	\$ 408,769	\$ 5,809
Virginia Local Disability Program (Note 10)	8,647	490	4,171	4,861
Totals	<u>\$ 107,209</u>	<u>\$ 52,099</u>	<u>\$ 412,940</u>	<u>\$ 10,670</u>

NOTE 12—BOARD DESIGNATED RESERVES:

During fiscal year 2017 the Board of the Authority approved to designate a portion of the Authority's net assets for future operating and capital expenses. At June 30, 2020, the Authority had \$2,810,809 and \$482,950 designated as operating and capital reserves, respectively.

NOTE 13—LITIGATION:

At June 30, 2020, there were no matters of litigation involving RSW Regional Jail Authority that would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

NOTE 14—UPCOMING PRONOUNCEMENTS:

Statement No. 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, 2019.

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 June 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 14—UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

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

NOTE 15—SUBSEQUENT EVENT:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The Authority is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

RSW REGIONAL JAIL AUTHORITY

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2015 through June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability			
Service cost	\$ 774,005	\$ 624,396	\$ 812,763
Interest	183,076	144,827	109,633
Differences between expected and actual experience	(191,554)	(125,001)	(277,470)
Changes of assumptions	146,470	-	(34,927)
Benefit payments	(59,959)	(135,649)	(78,808)
Net change in total pension liability	\$ 852,038	\$ 508,573	\$ 531,191
Total pension liability (asset) - beginning	2,645,351	2,136,778	1,605,587
Total pension liability (asset) - ending (a)	\$ <u>3,497,389</u>	\$ <u>2,645,351</u>	\$ <u>2,136,778</u>
Plan fiduciary net position			
Contributions - employer	\$ 537,638	\$ 644,243	\$ 597,364
Contributions - employee	237,909	225,181	208,573
Net investment income	279,526	216,432	256,174
Benefit payments	(59,959)	(135,649)	(78,808)
Administrator charges	(1,888)	(1,223)	(746)
Other	(183)	(222)	(258)
Net change in plan fiduciary net position	\$ 993,043	\$ 948,762	\$ 982,299
Plan fiduciary net position - beginning	3,584,890	2,636,128	1,653,829
Plan fiduciary net position - ending (b)	\$ <u>4,577,933</u>	\$ <u>3,584,890</u>	\$ <u>2,636,128</u>
Authority's net pension asset - ending (a) - (b)	\$ (1,080,544)	\$ (939,539)	\$ (499,350)
Plan fiduciary net position as a percentage of the total pension liability	130.90%	135.52%	123.37%
Covered payroll	\$ 4,885,399	\$ 4,616,270	\$ 4,298,097
Authority's net pension asset as a percentage of covered payroll	-22.12%	-20.35%	-11.62%

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.

Exhibit 5

<u>2016</u>		<u>2015</u>	
\$	890,276	\$	-
	(711)		(33)
	735,340		-
	-		-
	<u>(18,334)</u>		<u>(951)</u>
\$	1,606,571	\$	(984)
	(984)		-
\$	<u>1,605,587</u>	\$	<u>(984)</u>
\$	573,095	\$	566,835
	231,081		241,286
	41,208		19,120
	(18,334)		(951)
	(39)		546
	<u>(11)</u>		<u>(7)</u>
\$	827,000	\$	826,829
	826,829		-
\$	<u>1,653,829</u>	\$	<u>826,829</u>
\$	(48,242)	\$	(827,813)
	103.00%		-84027.34%
\$	4,693,608	\$	4,652,226
	-1.03%		-17.79%

RSW REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions

Pension Plan

Years Ended June 30, 2015 through June 30, 2020

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)		
2020	\$ 571,749	\$ 571,749	\$ -	\$ 5,238,424	10.91%
2019	537,630	537,630	-	4,885,399	11.00%
2018	644,236	644,236	-	4,616,270	13.96%
2017	597,364	597,364	-	4,298,097	13.90%
2016	573,095	573,095	-	4,693,608	12.21%
2015	570,828	570,828	-	4,652,226	12.27%

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

RSW REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information
Pension Plan
Year Ended June 30, 2020

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

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

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 14.00% to 15.00%
Discount rate	Decreased from 7.00% to 6.75%

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 60.00% to 45.00%
Discount rate	Decreased from 7.00% to 6.75%

RSW REGIONAL JAIL AUTHORITY

Schedule of Authority's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2019

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)
2019	0.02512%	\$ 408,769	\$ 4,924,578	8.30%	52.00%
2018	0.02436%	370,000	4,631,124	7.99%	51.22%
2017	0.02360%	355,000	4,352,727	8.16%	48.86%

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

RSW REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 Years Ended June 30, 2015 through June 30, 2020

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

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

RSW REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020

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

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

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

RSW REGIONAL JAIL AUTHORITY

Schedule of Authority's Share of Net OPEB Liability
 Virginia Local Disability Program (VLDP)
 For the Measurement Dates of June 30, 2017 through June 30, 2019

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)
2019	0.20589% \$	4,171 \$	636,199	0.66%	49.19%
2018	0.23204%	2,000	563,401	0.35%	51.39%
2017	0.30127%	2,000	553,216	0.36%	38.40%

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

RSW REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions
 Virginia Local Disability Program (VLDP)
 Years Ended June 30, 2015 through June 30, 2020

<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>
2020	\$ 6,421	\$ 6,421	\$ -	\$ 891,818	0.72%
2019	4,581	4,581	-	636,199	0.72%
2018	3,380	3,380	-	563,401	0.60%
2017	3,319	3,319	-	553,216	0.60%
2016	2,817	2,817	-	469,429	0.60%
2015	2,262	2,262	-	377,009	0.60%

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

RSW REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information
Virginia Local Disability Program (VLDP)
For the Year Ended June 30, 2020

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

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

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

OTHER SUPPLEMENTARY INFORMATION

RSW REGIONAL JAIL AUTHORITY

**Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020**

	<u>Inmate Benefits Account</u>	<u>Canteen Account</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 74,009	\$ 146,266	\$ 220,275
Total assets	<u>\$ 74,009</u>	<u>\$ 146,266</u>	<u>\$ 220,275</u>
Liabilities			
Amounts held for inmates	\$ 74,009	\$ 146,266	\$ 220,275
Total liabilities	<u>\$ 74,009</u>	<u>\$ 146,266</u>	<u>\$ 220,275</u>

RSW REGIONAL JAIL AUTHORITY

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Inmate Benefits Account:				
Assets:				
Cash and cash equivalents	\$ 156,049	\$ 1,586,335	\$ 1,668,375	\$ 74,009
Liabilities:				
Amounts held for inmates	\$ 156,049	\$ 1,586,335	\$ 1,668,375	\$ 74,009
Canteen Account				
Assets:				
Cash and cash equivalents	\$ 87,151	\$ 649,824	\$ 590,709	\$ 146,266
Liabilities:				
Amounts held for inmates	\$ 87,151	\$ 649,824	\$ 590,709	\$ 146,266
TOTALS:				
Assets:				
Cash and cash equivalents:				
Inmate Benefits Account	\$ 156,049	\$ 1,586,335	\$ 1,668,375	\$ 74,009
Canteen Account	87,151	649,824	590,709	146,266
	\$ 243,200	\$ 2,236,159	\$ 2,259,084	\$ 220,275
Liabilities:				
Amounts held for inmates:				
Inmate Benefits Account	\$ 156,049	\$ 1,586,335	\$ 1,668,375	\$ 74,009
Canteen Account	87,151	649,824	590,709	146,266
	\$ 243,200	\$ 2,236,159	\$ 2,259,084	\$ 220,275

RSW REGIONAL JAIL AUTHORITY

Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual
Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget- Positive (Negative)</u>
Operating Revenues:			
Commonwealth of Virginia per diems	\$ 990,210	\$ 1,071,902	\$ 81,692
Commonwealth of Virginia reimbursements	5,419,301	5,223,878	(195,423)
Member locality per diems	7,979,346	6,773,259	(1,206,087)
Other locality per diems	950,000	1,840,660	890,660
Telephone revenue	200,000	281,643	81,643
Inmate keep fees	140,000	181,179	41,179
Pre-trial drug and alcohol fees	25,000	15,294	(9,706)
Work release	215,000	265,433	50,433
Medical co-pays	29,900	35,967	6,067
Miscellaneous revenues	1,000	25,360	24,360
Total operating revenues	<u>\$ 15,949,757</u>	<u>\$ 15,714,575</u>	<u>\$ (235,182)</u>
Operating Expenses:			
Jail operations:			
Personnel services	\$ 6,843,414	\$ 6,204,610	\$ 638,804
Employee benefits	3,017,689	2,458,031	559,658
Medical services	768,688	595,237	173,451
Other purchased services	797,931	765,547	32,384
Other charges	946,990	1,142,480	(195,490)
Material and supplies	315,650	425,105	(109,455)
Noncapital equipment	250,000	148,399	101,601
Depreciation expense	-	2,221,601	(2,221,601)
Total operating expenses	<u>\$ 12,940,362</u>	<u>\$ 13,961,010</u>	<u>\$ (1,020,648)</u>
Operating income (loss)	<u>\$ 3,009,395</u>	<u>\$ 1,753,565</u>	<u>\$ (1,255,830)</u>
Nonoperating Revenues (Expenses):			
Interest revenue	\$ -	\$ 70,145	\$ 70,145
Unrealized gain (loss) on investments	-	107,100	107,100
Gain (loss) on sale of capital asset	-	(13,831)	(13,831)
Federal and Commonwealth grant revenue	-	29,841	29,841
Bond issuance cost	-	(414,196)	(414,196)
Interest and fiscal charges	(3,009,395)	(1,344,297)	1,665,098
Total nonoperating revenues (expenses)	<u>\$ (3,009,395)</u>	<u>\$ (1,565,238)</u>	<u>\$ 1,444,157</u>
Change in net position	\$ -	\$ 188,327	\$ 188,327
Net position, beginning of year	-	26,283,839	26,283,839
Net position, end of year	<u>\$ -</u>	<u>\$ 26,472,166</u>	<u>\$ 26,472,166</u>

COMPLIANCE



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the aggregate remaining fund information of RSW Regional Jail Authority as of and for the year ended June 30, 2020, 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 19, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 19, 2020