New River Valley Regional Jail Authority

Financial Report

For The Year Ended June 30, 2020

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2020

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Independent Auditors' Report

To the Board of Directors
New River Valley Regional Jail Authority
Dublin, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New River Valley 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New River Valley Regional Jail Authority, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 48 and 49-56 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New River Valley Regional Jail's basic financial statements. The individual fund financial statement is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The individual fund financial statement 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 individual fund financial statement is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, on our consideration of New River Valley 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 New River Valley 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 New River Valley Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 2, 2020

Basic Financial Statements

Exhibit 1

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Net Position
June 30, 2020

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	1,127,878
Investments		4,765,016
Accounts receivable		42,802
Due from other governmental units		2,448,578
Noncurrent assets:		
Cash and cash equivalents with trustee - restricted		1,838,970
Investments with trustee - restricted		3,723,738
Net pension asset		3,585,640
Capital assets (net of accumulated depreciation):		
Land		240,396
Machinery and equipment		455,246
Buildings and improvements		47,631,348
Total assets	$	65,859,612
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding, net	$	5,277,044
Pension related items		1,567,841
OPEB related items		979,223
Total deferred outflows of resources	$	7,824,108
LIABILITIES		
Accounts payable	$	106,889
Accrued interest payable		491,190
Accrued wages and benefits		693,561
Long-term liabilities:		
Due within one year		2,696,778
Due in more than one year		52,824,088
Total liabilities	$	56,812,506
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$	829,757
OPEB related items		410,822
Total deferred inflows of resources	$	1,240,579
NET POSITION		
Net investment in capital assets	$	2,179,857
Restricted for future debt service		5,562,708
Unrestricted		7,888,070
Total net position	$	15,630,635

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

Exhibit 2

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Activities
For the Year Ended June 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
			Operating	Capital	Regional Jail Authority
		Charges for	Grants and	Grants and	Governmental
Functions/Programs	**Expenses**	**Services**	**Contributions**	**Contributions**	**Activities**
Primary Government:					
Governmental activities:					
Public safety	$ 20,023,662	$ 9,066,207	$ 12,399,861	$ -	$ 1,442,406
Interest on long-term obligations	1,782,848	-	-	-	(1,782,848)
Total governmental activities	$ 21,806,510	$ 9,066,207	$ 12,399,861	$ -	$ (340,442)
General revenues:					
Unrestricted revenues from use of money and property					$ 192,369
Miscellaneous					575,316
Total general revenues					$ 767,685
Change in net position					$ 427,243
Net position - beginning					15,203,392
Net position - ending					$ 15,630,635

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

Exhibit 3

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,127,878	$ -	$ 1,127,878
Investments	4,765,016	-	4,765,016
Accounts receivable	42,802	-	42,802
Due from other governmental units	2,448,578	-	2,448,578
Noncurrent assets:			
Cash and cash equivalents with trustee - restricted	-	1,838,970	1,838,970
Investments with trustee - restricted	-	3,723,738	3,723,738
Total assets	$ 8,384,274	$ 5,562,708	$ 13,946,982
LIABILITIES			
Current liabilities:			
Accounts payable	$ 106,889	$ -	$ 106,889
Accrued wages and benefits	693,561	-	693,561
Total liabilities	$ 800,450	$ -	$ 800,450
FUND BALANCE			
Restricted:			
Debt service	$ -	$ 5,562,708	$ 5,562,708
Unassigned	7,583,824	-	7,583,824
Total fund balance	$ 7,583,824	$ 5,562,708	$ 13,146,532
Total liabilities and fund balance	$ 8,384,274	$ 5,562,708	$ 13,946,982

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet		$ 13,146,532
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		48,326,990
The net pension asset is not an available resource and, therefore, is not reported in the funds.		3,585,640
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Deferred charge on refunding (to be amortized as interest expense)	$ 5,277,044	
Pension related items	1,567,841	
OPEB related items	979,223	7,824,108
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Revenue refunding bond	$ (47,115,000)	
Premium on revenue refunding bond	(4,309,177)	
Accrued interest payable	(491,190)	
Net OPEB liabilities	(3,412,705)	
Compensated absences	(683,984)	(56,012,056)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (829,757)	
OPEB related items	(410,822)	(1,240,579)
Net position of governmental activities		$ 15,630,635

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues:			
Revenue from use of money and property	$ 68,035	$ 124,334	$ 192,369
Charges for services	9,066,207	-	9,066,207
Miscellaneous	575,316	-	575,316
Recovered costs	66,589	-	66,589
Intergovernmental	12,399,861	-	12,399,861
Total revenues	$ 22,176,008	$ 124,334	$ 22,300,342
Expenditures:			
Public Safety:			
Employee costs	$ 12,128,304	$ -	$ 12,128,304
Medical costs	1,849,847	-	1,849,847
Building costs	1,081,562	-	1,081,562
Administrative costs	33,716	-	33,716
Service contracts/treatment costs	442,140	-	442,140
Telecommunication costs	31,754	-	31,754
Vehicle/equipment costs	107,531	-	107,531
Inmate costs	1,187,333	-	1,187,333
Custodial costs	70,638	-	70,638
Travel costs	4,225	-	4,225
Training and operational costs	75,669	-	75,669
Capital Outlay	241,695	-	241,695
Debt Service:			
Principal	-	1,655,000	1,655,000
Interest and other fiscal charges	-	2,022,331	2,022,331
Total expenditures	$ 17,254,414	$ 3,677,331	$ 20,931,745
Excess (deficiency) of revenues over (under) expenditures	$ 4,921,594	$ (3,552,997)	$ 1,368,597
Other financing sources (uses):			
Transfers in	$ -	$ 3,519,686	$ 3,519,686
Transfers out	(3,519,686)	-	(3,519,686)
Total other financing sources (uses)	$ (3,519,686)	$ 3,519,686	$ -
Net change in fund balance	$ 1,401,908	$ (33,311)	$ 1,368,597
Fund balance, beginning of year	6,181,916	5,596,019	11,777,935
Fund balance, end of year	$ 7,583,824	$ 5,562,708	$ 13,146,532

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of activities are different because:				
Net change in fund balances - total governmental funds			$	1,368,597
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital asset purchases in the current period.				
Capital outlay	$	39,933		
Depreciation expense		(2,954,568)		(2,914,635)
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.				
Principal payments on revenue bond				1,655,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.				
Increase (decrease) in deferred charge on refunding	$	(277,739)		
(Increase) decrease in premium on revenue refunding bond		505,013		
(Increase) decrease in compensated absences		19,524		
(Increase) decrease in accrued interest payable		12,209		
Change in pension related items		280,951		
Change in OPEB related items		(221,677)		318,281
Change in net position of governmental activities			$	427,243

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

Exhibit 7

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2020

		Agency Funds
ASSETS		
Cash	$	540,049
Total assets	$	540,049
LIABILITIES		
Accounts payable	$	2,303
Amounts held for inmate benefits		537,746
Total liabilities	$	540,049

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

Note 1-Summary of Significant Accounting Policies:

The financial statements of the New River Valley Regional Jail Authority (the Authority) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The Authority was created by concurrent resolutions of the Counties of Bland, Carroll, Floyd, Giles, Grayson, Pulaski and Wythe and the City of Radford. The Authority was created under the provisions of Title 53.1, Chapter 3, Articles 3.1 and 5 of the Code of Virginia (1950), as amended. The Authority was created to construct and operate jail facilities for the participating jurisdictions.

The Authority does not have any component units. In addition, the Authority is not considered a component unit of any of the participating jurisdictions.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Authority (primary government). For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are other charges between the Authority's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Note 1-Summary of Significant Accounting Policies: (Continued)

B. Government-wide and fund financial statements (continued)

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. The fund is used to account for and report all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from state and federal distributions as well as charges to participating localities. The General Fund is considered a major fund for reporting purposes.

The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service. The Debt Service Fund is considered a major fund.

Additionally, the Authority reports the following fund types:

Fiduciary funds (trust and agency funds) account for assets held by the Authority in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Inmate Trust and Inmate Canteen Funds.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance

1. Cash and Cash Equivalents

The Authority's cash and cash equivalents (including cash in custody of trustee) are considered to be cash on hand, amounts in demand deposits, as well as short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

3. Use of Estimates

The preparation of financial statements in conformity with 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.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Authority are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements	20
Machinery and equipment	5-20

<u>Note 1-Summary of Significant Accounting Policies</u>: (Continued)

D. <u>Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance</u> (continued)

5. *Accounts Receivable*

   Accounts receivable are stated at book value. The Authority has created an allowance for doubtful accounts based on amounts uncollected for greater than 90 days. The Authority had no allowance for doubtful accounts at June 30, 2020.

6. *Compensated Absences*

   Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The Authority's employees accrue paid time off at various rates based on the total years of service during employment as a full-time employee. Employees will be allowed to accumulate their maximum accrued hours per year as determined by years of service. An employee can accrue more than the maximum hours allowed however, the maximum amount will only be carried beyond December 31st of each year. Upon termination, full compensation will be paid for unused paid time off up to the designated maximum based upon total years of service. The Authority's employees also accrue comp time at time and a half which is paid in full upon termination. During FY2014 the Authority adopted a new policy regarding sick leave. Upon retirement, employees with 5 years of service receive their sick leave at 25% up to $5,000. The Authority's liability for compensated absences, including sick leave to those employees eligible to retire at June 30, 2020 was $683,984.

7. *Restricted Assets*

   Restricted cash is set aside for future debt service expenditures.

8. *Long-term Obligations*

   In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

   In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance (continued)

9. 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 multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results 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 other item is 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 liabilities measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension asset and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance (continued)

11. Other Post Employment 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 OPEB Plan and the additions to/deductions from the VRS OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition to the VRS related OPEB, the Authority allows their retirees to stay on the health insurance plan after retirement. The retiree is required to pay the blended premium cost creating an implicit subsidy OPEB liability. In addition, retirees receive a monthly stipend towards their health insurance cost until the retiree is Medicare eligible.

12. Net Position

For government-wide reporting as well as in proprietary funds, 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.

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<u>Note 1-Summary of Significant Accounting Policies</u>: (Continued)

D. <u>Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance</u> (continued)

12. Net Position (Continued)

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

13. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance – amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Directors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance – amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When fund balance resources are available for a specific purpose in more than one classification, it is the Authority's policy to use the most restrictive funds first in the following order: restrictive, committed, assigned and unassigned, as they are needed.

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 FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States 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 Investors 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 the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments):

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's Local Government Investment Pool (LGIP) investment is not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk of Debt Securities:

The Authority has not adopted an investment policy for credit risk. The Authority's rated debt investments as of June 30, 2020 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Rated Debt Investments	**Fair Quality Ratings**	
	AAA	**AAAm**
Local Government Investment pool (LGIP)	$ -	$ 4,765,016
First American Treasury Obligations	-	1,838,970
U.S. Treasury note	3,723,738	-
Total	$ 3,723,738	$ 6,603,986

Note 2-Deposits and Investments: (Continued)

Concentration of Credit Risk:

At June 30, 2020, the Authority did not have any investments requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk:

The Authority does not have a policy related to interest rate risk.

Investment Maturities (in years)

	Fair Value	Less than 1 Year
First American Treasury Obligations	$ 1,838,970	$ 1,838,970
LGIP	4,765,016	4,765,016
U.S. Treasury Note	3,723,738	3,723,738
Total	$ 10,327,724	$ 10,327,724

External Investment Pool:

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Note 3-Fair Value Measurements:

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

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date

- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices

- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Note 3-Fair Value Measurements: (Continued)

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

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

		Fair Value Measurement Using		
Investment	6/30/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
First American Treasury Obligations	$1,838,970	$ 1,838,970	$ -	$ -
U.S. Treasuries	3,723,738	3,723,738	-	-

Note 4-Receivables:

At June 30, 2020, the Authority had the following receivables:

Amounts due from other governmental units:	
Amounts due from the State Compensation Board for Jail Payroll	$ 803,252
Amounts due from the State for Per Diems	642,777
Amounts due from participating jurisdictions	985,393
Amounts due from State Compensation Board for Medical	17,156
Total amounts due from other governmental units	$ 2,448,578
Accounts receivable:	
Inmate telephone	$ 40,695
Miscellaneous receivables	2,107
Total accounts receivable	$ 42,802

Note 5-Interfund Transfers:

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	$ -	$ 3,519,686
Debt Service Fund	3,519,686	-
Total	$ 3,519,686	$ 3,519,686

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 6-Long-Term Obligations:

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

	Balance July 1, 2019	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2020
Revenue Refunding Bond	$ 48,770,000	$ -	$ (1,655,000)	$ 47,115,000
Revenue Refunding Bond Premium	4,814,190	-	(505,013)	4,309,177
Compensated Absences	703,508	508,107	(527,631)	683,984
Net OPEB Liabilities	2,969,748	695,476	(252,519)	3,412,705
	$ 57,257,446	$ 1,203,583	$ (2,940,163)	$ 55,520,866

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

Year Ending	**Revenue Refunding Bond**	
June 30,	**Principal**	**Interest**
2021	$ 1,705,000	$ 1,968,706
2022	1,760,000	1,913,506
2023	1,820,000	1,853,956
2024	1,875,000	1,792,681
2025	1,940,000	1,725,756
2026-2030	11,040,000	7,256,784
2031-2035	13,785,000	4,445,125
2036-2039	13,190,000	1,328,377
	$ 47,115,000	$ 22,284,891

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Note 6-Long-Term Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Final Maturity Date	Amount of Original Issue	Installment Frequency	Amount Outstanding	Amount due Within 1 year
Revenue						
Refunding bond	2.00-5.00%	10/1/2038	$ 51,745,000	Annual*	$ 47,115,000	$ 1,705,000
Plus: Premium					4,309,177	478,790
Total revenue refunding bond					$ 51,424,177	$ 2,183,790
Other long-term obligations:						
Compensated absences					$ 683,984	$ 512,988
Net OPEB liabilities					3,412,705	-
Total other long-term obligations					$ 4,096,689	$ 512,988
Total long-term obligations					$ 55,520,866	$ 2,696,778

*Annual payment equals amount due within 1 year but does not include semi-annual interest installments

In the Master Indenture, the Authority has covenanted (the "Revenue Covenant") to establish, fix, charge and collect such rates, fees and other charges for the use of and for the services furnished by the Regional Jail, and to revise such rates, fees and other charges, from time to time and as often as necessary, so as to produce Revenues in each Fiscal Year, not less than the sum of (i) 1.15 times Senior Debt Service and 1.0 times Subordinate Debt Service for the Fiscal Year (taking into account any interest payments funded from the proceeds of any such indebtedness which are available for such purpose) and (ii) 1.0 times the funding requirements under the Master Indenture for the Operating Account, the Service Reserve Account and the Repair and Replacement Reserve Account.

For purposes of estimating the amount of Revenue available to meet the Revenue Covenant in preparation of the Authority's Annual Budget, the Authority is entitled to credit to its estimates:

- Reimbursement Payments (1) pledged to pay indebtedness and scheduled to be paid in the upcoming Fiscal Year, ***provided***, that the Authority has not been notified by or on behalf of the appropriate payor that it does not intend to make such payments, and (2) received in excess of the amount required to pay or redeem such indebtedness; and

- Amounts in the Repair and Replacement Reserve Account in excess of the Replacement Reserve Requirement and amounts in the General Reserve Account, to the extend not committed, required or intended to be used for a particular purposes; ***provided*** such amounts in the aggregate do not exceed 15% of Operating Expenses plus Senior Debt Service budgeted to be paid during such Fiscal Year.

Note 6-Long-Term Obligations: (Continued)

Details of long-term obligations: (Continued)

For purposes of determining compliance with the Revenue Covenant as of the end of each Fiscal Year, the Authority is entitled to credit the following to its calculated of Revenues:

- Payments from the Commonwealth Compensation Board due in such Fiscal Year but not year paid; *provided*, that the Authority has not been notified that such payments will not be made;

- Fees and other charges due for services furnished by the Authority to non-Member Jurisdictions in such Fiscal Year, but not yet paid and not overdue; *provided*, that the Authority has not been notified that such payments will not be made; and

- Amounts in the Repair and Replacement Reserve Account in excess of the Replacement Reserve Requirement and amounts in the General Reserve Account, to the extend not committed, required or intended to be used for a particular purpose; *provided* such amounts in the aggregate do not exceed 15% of Operating Expenses plus Senior Debt Service budgeted to be paid during such Fiscal year.

The following are events of default by the Authority under the Service Agreement: (i) failure to make any payments on the Series 2016 Bonds or other financing for the Regional Jail when due, (ii) the Authority is rendered incapable for any reason of performing its material obligations, (iii) assignment of the Service Agreement without prior consent of the Member Jurisdictions, (iv) a default under any material obligation for borrowed money obtained pursuant to authority of the Service Agreement which is not timely cured, (v) the commencement of any proceeding against the Authority with the consent or acquiescence of the Authority with respect to certain events of bankruptcy, insolvency or reorganization or (vi) the breach of any other provision of the Service Agreement by the Authority which is not cured within 30 days after the receipt of notice thereof.

The following are events of default by the Member Jurisdictions under the Service Agreement: (i) failure to pay Per Diem Charges when due, (ii) any Member Jurisdiction is rendered incapable for any reasons of performing its obligations under the Service Agreement, (iii) the commencement of any proceeding against any Member Jurisdiction with the consent of acquiescence of the Member Jurisdiction with respect to certain events of bankruptcy, insolvency or reorganization or (iv) the breach of any other provision of the Service Agreement by a Member Jurisdiction which is not cured within 30 days of receipt of notice thereof.

Upon the occurrence of any Authority or Member Jurisdiction default, any Member Jurisdiction, or the Authority, as appropriate, after providing notice to all parties, may bring suit to require the defaulting party to perform its duties under the Act or of the Service Agreement or to enjoin acts in violation of the Act or the Service Agreement.

The Authority also has an outstanding line of credit with Union First Bank. The allowable principal is $600,000. The line of credit did not have any activity during fiscal year 2019 or fiscal year 2020 and as of June 30, 2020 had no outstanding balance.

Note 7-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the New River Valley Regional Jail 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.

Note 7-Pension Plan: (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:

	Number
Inactive members or their beneficiaries currently receiving benefits	63
Inactive members:	
Vested inactive memebers	26
Non-vested inactive members	127
Inactive members active elsewhere in VRS	125
Total inactive members	278
Active members	237
Total covered employees	578

Note 7-Pension Plan: (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 New River Valley Regional Jail Authority's contractually required employer contribution rate for the year ended June 30, 2020 was 8.52% 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 any unfunded accrued liability. Contributions to the pension plan from the New River Valley Regional Jail Authority were $700,202 and $677,877 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 New River Valley Regional Jail Authority's 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, and 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.

Note 7-Pension Plan: (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% if 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 Rate (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%

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<u>Note 7-Pension Plan</u>: (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 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.

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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<u>Note 7-Pension Plan</u>: (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 Rate (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 rate from 7.00% to 6.75%

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Note 7-Pension Plan: (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	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

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

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Note 7-Pension Plan: (Continued)

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 FY2012 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.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	$ 20,918,689	$ 25,692,216	$ (4,773,527)
Changes for the year:			
Service cost	$ 1,387,518	$ -	$ 1,387,518
Interest	1,437,748	-	1,437,748
Change in assumptions between expected and actual experience	869,984	-	869,984
Differences between expected and actual experience	295,812	-	295,812
Contributions - employer	-	677,889	(677,889)
Contributions - employee	-	396,376	(396,376)
Net investment income	-	1,746,468	(1,746,468)
Benefit payments, including refunds of employees contributions	(758,854)	(758,854)	-
Administrative expenses	-	(16,451)	16,451
Other changes	-	(1,107)	1,107
Net changes	$ 3,232,208	$ 2,044,321	$ 1,187,887
Balances at June 30, 2019	$ 24,150,897	$ 27,736,537	$ (3,585,640)

Note 7-Pension Plan: (Continued)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
New River Valley Regional Jail Authority Net Pension Liability (Asset)	$ 330,190	$ (3,585,640)	$ (6,649,017)

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

For the year ended June 30, 2020, the New River Valley Regional Jail Authority recognized pension expense of $419,263. At June 30, 2020, the New River Valley Regional Jail 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	$ 220,157	$ 531,694
Change in assumptions	647,482	54,554
Net difference between projected and actual earnings on pension plan investments	-	243,509
Employer contributions subsequent to the measurement date measurement date	700,202	-
Total	$ 1,567,841	$ 829,757

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Note 7-Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

$700,202 reported as deferred outflows of resources related to pensions resulting from the New River Valley Regional Jail Authority's contributions subsequent to the measurement date will be recognized as an addition to the Net Pension Asset 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:

Year ended June 30		
2021	$	(172,798)
2022		(62,571)
2023		260,769
2024		12,484
Thereafter		-

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.

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Note 8-Capital Assets:

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 240,396	$ -	$ -	$ 240,396
Capital assets being depreciated:				
Buildings and Improvements	$ 74,225,103	$ -	$ -	$ 74,225,103
Machinery and Equipment	18,573,507	39,933	(39,991)	18,573,449
Total capital assets being depreciated	$ 92,798,610	$ 39,933	$ (39,991)	$ 92,798,552
Accumulated depreciation:				
Buildings and Improvements	$ (24,738,127)	$ (1,855,628)	$ -	$ (26,593,755)
Machinery and Equipment	(17,059,254)	(1,098,940)	39,991	(18,118,203)
Total accumulated depreciation	$ (41,797,381)	$ (2,954,568)	$ 39,991	$ (44,711,958)
Total capital assets being depreciated, net	$ 51,001,229	$ (2,914,635)	$ -	$ 48,086,594
Governmental activities capital assets, net	$ 51,241,625	$ (2,914,635)	$ -	$ 48,326,990

Note 9-Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates with other government entities in a public entity risk pool for its coverage of liability insurance through VARISK 2 insurance pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Authority continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10-Other Postemployment Benefits – Health Insurance:

Plan Description

The Authority administers a single-employer defined benefit healthcare plan, The Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Authority's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees to include health insurance. The Plan will provide retiring employees the option to continue health insurance offered by the Authority. Employees are eligible for the program at age 50 and 10 years of service to the Authority for general employees and 5 years of service for safety officers.

Plan Membership

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

Total active employees	228
Total retired employees	3
Total spouses of retired employees	1
Total	232

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Board. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2020 was $47,365.

Total OPEB Liability

The Authority's total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2019; 2.50% per year as of June 30, 2020
Salary Increases	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Discount Rate	3.50% as of June 30, 2019; 2.21% as of June 30, 2020
Investment Rate of Return	N/A

Note 10-Other Postemployment Benefits – Health Insurance: (Continued)

***Actuarial Assumptions* (continued)**

Mortality Rates:

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
- 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; females setback 1 year with 1.5% increase compounded from ages 70 to 85.
- Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer 20-year Bond Go Index.

Changes in Total OPEB Liability

Balance as of June 30, 2019	$ 2,255,748
Changes for the year:	
Service Cost	146,244
Interest	83,248
Effect of Assumption Changes	304,234
Benefit Payments	(47,365)
Balance as of June 30, 2020	$ 2,742,109

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	Rate	
(1.21%)	(2.21%)	(3.21%)
1% Decrease	Current Discount	1% Increase
$3,092,349	$ 2,742,109	$2,438,270

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Note 10-Other Postemployment Benefits – Health Insurance: (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.80% decreasing to an ultimate rate of 3.10%) or one percentage point higher (6.80% decreasing to an ultimate rate of 5.10%) than the current healthcare cost trend rates:

	Rate	
1% Decrease	Healthcare Cost Trend	1% Increase
(4.80% decreasing to 3.10%)	(5.80% decreasing to 4.10%)	(6.80% decreasing to 5.10%)
$ 2,324,819	$ 2,742,109	$ 3,254,648

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

For the year ended June 30, 2020, the Authority recognized OPEB expense in the amount of $314,474. At June 30, 2020, the Authority reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 589,799	$ -
Change in assumptions	258,826	283,262
Total	$ 848,625	$ 283,262

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year ended June 30	
2021	$ 84,982
2022	99,376
2023	102,976
2024	102,976
2025	102,976
Thereafter	72,077

Additional disclosures on changes in total OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 11-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 Group Life Insurance 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 for GLI OPEB, including eligibility, coverage and benefits is below:

Eligible Employees

The GLI Plan was established 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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Note 11-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 $43,661 and $42,010 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 $670,596 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 0.04121% as compared to 0.04699% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of ($1,187). 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.

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Note 11-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 GLI Plan OPEB (Continued)

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 44,599	$ 8,699
Change in assumptions	42,338	20,221
Net difference between projected and actual earnings on GLI OPEB plan investments	-	13,775
Change in proportionate share	-	84,865
Employer contributions subsequent to the measurement date measurement date	43,661	-
Total	$ 130,598	$ 127,560

$43,661 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:

Year ended June 30	
2021	$ (14,312)
2022	(14,311)
2023	(8,477)
2024	(1,918)
2025	(669)
Thereafter	(936)

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Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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 included 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.

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.

<u>Note 11-Group Life Insurance (GLI) Plan (OPEB Plan)</u>: (Continued)

Actuarial Assumptions (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:

Mortality Rate (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%

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.

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<u>Note 11-Group Life Insurance (GLI) Plan (OPEB Plan)</u>: (Continued)

Actuarial Assumptions (Continued)

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

Mortality Rate (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 are as follows (amounts expressed in thousands):

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

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.

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

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

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Note 11-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 are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the 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%)
Authority's proportionate share of the Group Life Insurance Plan Net OPEB Liability	$ 880,978	$ 670,596	$ 499,983

GLI Program 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.

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Note 12-Summary of OPEB Plans:

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
Stand-Alone Plan (Note 10)	$ 848,625	$ 283,262	$ 2,742,109	$ 314,474
VRS OPEB Plans:				
Group Life Insurance Plan (Note 11)	130,598	127,560	670,596	(1,187)
Totals	$ 979,223	$ 410,822	$ 3,412,705	$ 313,287

Note 13-Litigation:

As of June 30, 2020, the Authority had no matters of litigation involving the Authority which would materially affect the Authority's financial position.

Note 14-Subsequent Event:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. As such, the full magnitude that the pandemic will have on the Authority's financial condition, liquidity, and future results of operations is uncertain. Management is monitoring the global situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Institute is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Note 15-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.

Note 15-Upcoming Pronouncements: (Continued)

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

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.

Required Supplementary Information

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
Revenues:	Original	Final	Amounts	(Negative)
Revenue from local sources:				
Charges to participating jurisdictions:				
Bland County	$ 104,573	$ 104,573	$ 131,418	$ 26,845
Carroll County	2,363,339	2,363,339	2,316,231	(47,108)
Giles County	930,695	930,695	959,978	29,283
Grayson County	1,087,554	1,087,554	731,842	(355,712)
Floyd County	533,320	533,320	514,669	(18,651)
Pulaski County	1,840,476	1,840,476	2,067,986	227,510
Radford City	784,294	784,294	705,876	(78,418)
Wythe County	1,516,301	1,516,301	1,638,207	121,906
Interest income	69,000	69,000	68,035	(965)
Inmate telephone income	460,000	460,000	469,555	9,555
Inmate cost recovery	67,900	67,900	66,589	(1,311)
Miscellaneous	39,184	39,184	105,761	66,577
Total revenue from local sources	$ 9,796,636	$ 9,796,636	$ 9,776,147	$ (20,489)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Reimbursement of salaries and fringes	$ 10,135,844	$ 10,135,844	$ 9,803,564	$ (332,280)
State per diem warrant	2,241,163	2,241,163	2,078,499	(162,664)
Other	46,500	46,500	517,798	471,298
Total revenue from the Commonwealth	$ 12,423,507	$ 12,423,507	$ 12,399,861	$ (23,646)
Total revenues	$ 22,220,143	$ 22,220,143	$ 22,176,008	$ (44,135)
Expenditures:				
Public Safety:				
Employee costs	$ 12,792,671	$ 12,792,671	$ 12,128,304	$ 664,367
Medical costs	2,233,923	2,233,923	1,849,847	384,076
Building costs	1,158,336	1,158,336	1,081,562	76,774
Administrative costs	38,755	38,755	33,716	5,039
Service contracts/treatment costs	470,537	470,537	442,140	28,397
Telecommunication costs	33,670	33,670	31,754	1,916
Vehicle/equipment costs	119,733	119,733	107,531	12,202
Inmate costs	1,364,272	1,364,272	1,187,333	176,939
Custodial costs	63,040	63,040	70,638	(7,598)
Travel costs	7,550	7,550	4,225	3,325
Training and operational costs	85,500	85,500	75,669	9,831
Capital Outlay	150,000	150,000	241,695	(91,695)
Total expenditures	$ 18,517,987	$ 18,517,987	$ 17,254,414	$ 1,263,573
Excess (deficiency) of revenues over (under) expenditures	$ 3,702,156	$ 3,702,156	$ 4,921,594	$ 1,219,438
Other financing sources (uses):				
Transfers out	$ (3,702,156)	$ (3,702,156)	$ (3,519,686)	$ 182,470
Net change in fund balance	$ -	$ -	$ 1,401,908	$ 1,401,908
Fund balance, beginning of year	-	-	6,181,916	6,181,916
Fund balance, end of year	$ -	$ -	$ 7,583,824	$ 7,583,824

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Schedule of Changes in Net Pension Asset and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	$ 1,387,518	$ 1,357,493	$ 1,345,377	$ 1,385,232	$ 1,376,208	$ 1,367,728
Interest	1,437,748	1,326,841	1,265,744	1,152,273	1,055,042	920,276
Differences between expected and actual experience	295,812	(446,444)	(932,819)	(372,846)	(647,155)	-
Changes of assumptions	869,984	-	(204,704)	-	-	-
Benefit payments	(758,854)	(548,157)	(653,392)	(433,900)	(356,253)	(369,322)
Net change in total pension liability	$ 3,232,208	$ 1,689,733	$ 820,206	$ 1,730,759	$ 1,427,842	$ 1,918,682
Total pension liability - beginning	20,918,689	19,228,956	18,408,750	16,677,991	15,250,149	13,331,467
Total pension liability - ending (a)	$ 24,150,897	$ 20,918,689	$ 19,228,956	$ 18,408,750	$ 16,677,991	$ 15,250,149
Plan fiduciary net position						
Contributions - employer	$ 677,889	$ 738,132	$ 723,508	$ 863,846	$ 880,287	$ 1,137,368
Contributions - employee	396,376	438,015	433,188	427,471	441,995	427,159
Net investment income	1,746,468	1,752,892	2,527,375	361,607	826,435	2,283,857
Benefit payments	(758,854)	(548,157)	(653,392)	(433,900)	(356,253)	(369,322)
Administrator charges	(16,451)	(14,334)	(13,825)	(11,309)	(10,160)	(11,175)
Other	(1,107)	(1,595)	(2,280)	(148)	(177)	121
Net change in plan fiduciary net position	$ 2,044,321	$ 2,364,953	$ 3,014,574	$ 1,207,567	$ 1,782,127	$ 3,468,008
Plan fiduciary net position - beginning	25,692,216	23,327,263	20,312,689	19,105,122	17,322,995	13,854,987
Plan fiduciary net position - ending (b)	$ 27,736,537	$ 25,692,216	$ 23,327,263	$ 20,312,689	$ 19,105,122	$ 17,322,995
Authority's net pension asset - ending (a) - (b)	$ (3,585,640)	$ (4,773,527)	$ (4,098,307)	$ (1,903,939)	$ (2,427,131)	$ (2,072,846)
Plan fiduciary net position as a percentage of the total pension liability	114.85%	122.82%	121.31%	110.34%	114.55%	113.59%
Covered payroll	$ 8,044,807	$ 8,888,104	$ 8,668,083	$ 8,592,835	$ 8,734,544	$ 8,544,734
Authority's net pension asset as a percentage of covered payroll	-44.57%	-53.71%	-47.28%	-22.16%	-27.79%	-24.26%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Exhibit 10

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Schedule of Employer Contributions
Pension Plan
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	$ 700,202	$ 700,202	-	$ 8,365,493	8.37%
2019	677,877	677,877	-	8,044,807	8.43%
2018	738,132	738,132	-	8,888,104	8.30%
2017	728,986	728,986	-	8,668,083	8.41%
2016	868,736	868,736	-	8,592,835	10.11%
2015	883,062	883,062	-	8,734,544	10.11%
2014	1,138,159	1,138,159	-	8,934,280	12.74%
2013	1,124,904	1,124,904	-	8,445,222	13.32%
2012	962,480	962,480	-	7,967,547	12.08%
2011	968,476	968,476	-	8,017,182	12.08%

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Notes to Required Supplementary Information
Pension 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:

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%

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 rate from 7.00% to 6.75%

Exhibit 12

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
Health Insurance Plan
For the Measurement Dates of June 30, 2018 and June 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	$ 146,244	$ 167,034	$ 149,465
Interest	83,248	97,837	56,418
Economic Gains or Losses	-	796,747	-
Effect of assumptions changes	304,234	(353,480)	(75,576)
Benefit payments	(47,365)	(33,092)	(23,968)
Net change in total OPEB liability	$ 486,361	$ 675,046	$ 106,339
Total OPEB liability - beginning	2,255,748	1,580,702	1,474,363
Total OPEB liability - ending	$ 2,742,109	$ 2,255,748	$ 1,580,702
Covered payroll	$ 8,531,947	$ 8,531,947	$ 8,706,700
Authority's total OPEB liability (asset) as a percentage of covered payroll	32.14%	26.44%	18.16%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Notes to Required Supplementary Information
Health Insurance Plan
For the Year Ended June 30, 2020

Valuation Date: 7/1/2018
Measurement Date: 6/30/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.50% as of June 30, 2019; 2.21% as of June 30, 2020
Inflation	2.50% per year as of June 30, 2019; 2.50% per year as of June 30, 2020
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.80% in 2020 and gradually declines to 4.00% by the year 2075
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	Pre-Retirement - RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females setback 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; females setback 1 year with 1.5% increase compounded from ages 70 to 85. Post-Disablement - RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130%

Exhibit 14

NEW RIVER VALLEY 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 (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2019	0.04121%	$ 670,596	$ 8,078,758	8.30%	52.00%
2018	0.04699%	714,000	8,888,104	8.03%	51.22%
2017	0.04720%	710,000	8,668,084	8.19%	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.

Exhibit 15

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2017 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	$ 43,661	$ 43,661	$ -	$ 8,396,311	0.52%
2019	42,010	42,010	-	8,078,758	0.52%
2018	46,460	46,460	-	8,888,104	0.52%
2017	45,271	45,271	-	8,668,084	0.52%

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.

NEW RIVER VALLEY 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%

Other Supplementary Information

Exhibit 17

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2020

	Agency Funds - Commissary			
	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash	$ 402,773	$ 2,162,478	$ (2,025,202)	$ 540,049
Accounts receivable	32,003	-	(32,003)	-
Total assets	$ 434,776	$ 2,162,478	$ (2,057,205)	$ 540,049
LIABILITIES				
Accounts payable	$ 6,802	$ 2,303	$ (6,802)	$ 2,303
Amounts held for inmate benefits	427,974	2,160,175	(2,050,403)	537,746
Total liabilities	$ 434,776	$ 2,162,478	$ (2,057,205)	$ 540,049

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 Board of Directors
New River Valley Regional Jail Authority
Dublin, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New River Valley Regional Jail Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise New River Valley Regional Jail Authority's basic financial statements and have issued our report thereon dated December 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New River Valley 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 New River Valley Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of New River Valley Regional Jail Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New River Valley 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*.

New River Valley Regional Jail Authority's Response to Findings

New River Valley Regional Jail Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. New River Valley Regional Jail Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Blacksburg, Virginia
December 2, 2020

New River Valley Regional Jail Authority
Schedule of Findings and Responses
For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

None

2020-001

Criteria:	An auditee should have controls in place to prepare financial statements in accordance with current reporting standards.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Effect of Condition:	There is a reasonable possibility that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal controls over financial reporting.
Cause of Condition:	The Authority does not have proper controls in place to detect and correct misstatements in closing their year end financial statements.
Recommendation:	The Authority should review the auditors' proposed audit adjustments for 2020 and develop a plan to ensure that trial balances and related schedules are presented accurately for audit.
Management's Response:	The Authority will review the auditors' proposed audit adjustments for 2020 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.