

SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
MIDDLETOWN, VIRGINIA

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

**TO THE MEMBERS
SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
MIDDLETOWN, VIRGINIA**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Skyline Regional Criminal Justice Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Skyline Regional Criminal Justice Academy'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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Skyline Regional Criminal Justice Academy, as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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.

Report on Summarized Comparative Information

We have previously audited Skyline Regional Criminal Justice Academy's 2020 financial statements and expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2022, on our consideration of Skyline Regional Criminal Justice Academy'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 Skyline Regional Criminal Justice Academy'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 Skyline Regional Criminal Justice Academy's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
May 4, 2022

SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2021
(With Comparative Totals for the Prior Year)

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 423,679 | \$ 353,959 |
| Prepaid items | - | 1,847 |
| TOTAL CURRENT ASSETS | <u>\$ 423,679</u> | <u>\$ 355,806</u> |
| NONCURRENT ASSETS | | |
| CAPITAL ASSETS | | |
| Building and improvements | \$ 986,987 | \$ 966,682 |
| Equipment | 32,689 | 28,989 |
| Vehicles | 70,564 | 37,965 |
| Land | 159,000 | 159,000 |
| Land improvements | 42,925 | 42,925 |
| TOTAL CAPITAL ASSETS | <u>\$ 1,292,165</u> | <u>\$ 1,235,561</u> |
| Accumulated depreciation | (150,522) | (106,398) |
| NET CAPITAL ASSETS | <u>\$ 1,141,643</u> | <u>\$ 1,129,163</u> |
| TOTAL NONCURRENT ASSETS | <u>\$ 1,141,643</u> | <u>\$ 1,129,163</u> |
| TOTAL ASSETS | <u><u>\$ 1,565,322</u></u> | <u><u>\$ 1,484,969</u></u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 7,016 | \$ 3,070 |
| Compensated absences, current portion | 1,596 | 1,288 |
| Accrued wages and payroll liabilities | 3,324 | - |
| Credit card payables | 218 | - |
| TOTAL CURRENT LIABILITIES | <u>\$ 12,154</u> | <u>\$ 4,358</u> |
| LONG-TERM LIABILITIES | | |
| Compensated absences, less current portion | \$ 14,363 | \$ 11,590 |
| TOTAL LONG-TERM LIABILITIES | <u>\$ 14,363</u> | <u>\$ 11,590</u> |
| TOTAL LIABILITIES | <u>\$ 26,517</u> | <u>\$ 15,948</u> |
| NET POSITION | | |
| Investment in capital assets | \$ 1,141,643 | \$ 1,129,163 |
| Unrestricted | 397,162 | 339,858 |
| TOTAL NET POSITION | <u>\$ 1,538,805</u> | <u>\$ 1,469,021</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 1,565,322</u></u> | <u><u>\$ 1,484,969</u></u> |

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

SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for the Prior Year)

| | 2021 | 2020 |
|--|----------------------------|----------------------------|
| OPERATING REVENUES | | |
| Training dues - member agencies | \$ 406,368 | \$ 410,850 |
| Training dues - nonmember agencies | 24,145 | 18,030 |
| Uniform sales | 13,170 | 9,124 |
| Grant funds - local | 500 | 30,461 |
| Grant funds - state special funds | 38,877 | 53,138 |
| Grant funds - state | 41,790 | 41,449 |
| Miscellaneous income | 22,745 | 21,697 |
| TOTAL OPERATING REVENUES | <u>\$ 547,595</u> | <u>\$ 584,749</u> |
| OPERATING EXPENSES | | |
| Salaries | \$ 253,605 | \$ 240,410 |
| Payroll taxes | 18,456 | 17,975 |
| Employee benefits | 48,066 | 49,611 |
| Contractual services | 54,169 | 57,215 |
| Maintenance contracts | 6,435 | 5,967 |
| Repairs and maintenance-other | 3,789 | 2,714 |
| Utilities | 14,316 | 15,753 |
| Insurance | 5,439 | 5,046 |
| Motor vehicle expenses | 1,514 | 1,342 |
| Office expenses | 2,659 | 1,562 |
| Staff training and convention expenses | 115 | 668 |
| Uniforms and apparel | 14,749 | 10,051 |
| Meals and lodging | 1,807 | 2,531 |
| Other operating expenses | 2,855 | 2,942 |
| Lease of equipment | 1,932 | 2,284 |
| Police equipment and supplies | 3,781 | 8,259 |
| Depreciation | 44,124 | 39,492 |
| TOTAL OPERATING EXPENSES | <u>\$ 477,811</u> | <u>\$ 463,822</u> |
| OPERATING INCOME (LOSS) | <u>\$ 69,784</u> | <u>\$ 120,927</u> |
| CHANGE IN NET POSITION | \$ 69,784 | \$ 120,927 |
| NET POSITION - BEGINNING OF YEAR | <u>1,469,021</u> | <u>1,348,094</u> |
| NET POSITION - END OF YEAR | <u><u>\$ 1,538,805</u></u> | <u><u>\$ 1,469,021</u></u> |

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

SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for the Prior Year)

| | 2021 | 2020 |
|--|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from member and nonmember agencies | \$ 430,513 | \$ 428,880 |
| Receipts from Federal, state and local grants | 81,167 | 125,048 |
| Other receipts | 35,915 | 30,821 |
| Payments to suppliers | (107,549) | (121,597) |
| Payments to and for employees | (313,722) | (309,985) |
| Net cash provided by operating activities | <u>\$ 126,324</u> | <u>\$ 153,167</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of property and equipment | \$ (56,604) | \$ (30,961) |
| Net cash used for capital and related financing activities | <u>\$ (56,604)</u> | <u>\$ (30,961)</u> |
| NET INCREASE IN CASH | \$ 69,720 | \$ 122,206 |
| CASH - BEGINNING OF YEAR | <u>353,959</u> | <u>231,753</u> |
| CASH - END OF YEAR | <u><u>\$ 423,679</u></u> | <u><u>\$ 353,959</u></u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | \$ 69,784 | \$ 120,927 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | 44,124 | 39,492 |
| Changes in: | | |
| Prepaid items | 1,847 | (1,251) |
| Accounts payable | 3,946 | (4,012) |
| Compensated absences | 3,081 | (1,989) |
| Accrued wages | 3,324 | - |
| Credit card payables | 218 | - |
| Net cash provided by operating activities | <u><u>\$ 126,324</u></u> | <u><u>\$ 153,167</u></u> |

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

SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Business

The Skyline Regional Criminal Justice Academy is organized as a law enforcement and detention training academy located in Middletown, Virginia. It serves fifteen agencies in the northwestern region of Virginia. Its activities include the administration of law enforcement and jailer training, certification and related services.

B. Financial Reporting Entity

The Academy was created under the provisions of Chapter 17, Article V, Title 15.2 of the Code of Virginia of 1950, as amended (the "Code"), by the respective governing bodies of the member agencies, in order, among other things, to conduct criminal justice education and training for criminal justice personnel, including law enforcement officers and jailers. The Board of Directors has oversight responsibility and is accountable for all significant fiscal matters and management including budget approval, setting rates, asset ownership and contract negotiations. Accordingly, the Academy is an independent reporting entity.

C. Basis of Presentation and Accounting

The Academy is operated in a manner similar to private businesses and is accounted for as a proprietary enterprise fund. The records are maintained using the accrual basis of accounting. Accordingly, revenues and expenses are recorded in the period earned and incurred.

D. Allowance for Bad Debts

The Academy follows the policy of writing off bad debts in the period deemed uncollectible. Accordingly, no allowance for bad debts has been recorded in the statement of net position. The differences between the use of this method and the allowance method are insignificant.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

F. Capital Assets

Property, equipment, and intangibles purchased or acquired with an original cost of \$1,000 or more with a useful life of more than one year are reported at cost and include assets acquired by grants and noncash donations. Donated assets are reported at acquisition value.

Depreciation is computed using the straight-line method based on the following estimated useful lives:

| | |
|---------------------------|---------------|
| Equipment | 3 - 10 years |
| Vehicles | 5 years |
| Building and improvements | 10 - 40 years |
| Land improvements | 20 years |

SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G. Revenue and Expense Classification

Member agency (and nonmember agency) contributions and fees are recorded as operating revenues. All expenses relate to the ongoing operations of the Academy and therefore are recorded as operating expenses. State grants received are recorded as operating income, and may be used for operations or capital acquisitions, at the discretion of the Academy.

Grants and noncash donations that are designated for capital acquisitions are recorded as capital contributions in the statement of revenues, expenses and changes in net position.

H. Statement of Cash Flows

For purposes of the statement of cash flows, the Academy considers all highly liquid debt instruments purchased with a maturity of three months or less from the date of acquisition to be cash equivalents.

I. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates, which are elements of these financial statements, include useful lives for tangible and intangible property. Actual results could differ from those estimates.

J. Deferred Outflow/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/expenditure) until then. The Academy does not have any deferred outflows of resources as of June 30, 2021.

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 Academy does not have any deferred inflows of resources as of June 30, 2021.

K. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

L. Net Position Flow Assumption

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

M. Fiscal Agent

The Academy uses the services of the County of Warren, Virginia as fiscal agent for financial reporting, payroll processing, cash management and similar functions. The Academy pays the fiscal agent an annual contracted rate for these services. The Treasurer of Warren County, Virginia has custody of the Academy's cash.

2. DEPOSITS AND INVESTMENTS

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

All deposits are managed by the Academy's fiscal agent.

Investments

Statutes authorize the Academy 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).

The Academy has no investments at June 30, 2021.

3. UNEARNED REVENUE

Unearned revenue consists of members who paid their member agency contributions for the fiscal year 2021-2022 on or before June 30, 2021. There was no unearned revenue as of June 30, 2021.

**SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

4. RISK MANAGEMENT

The Academy is covered by commercial insurance for losses or claims pertaining to health, workers' compensation, property and liability, and automobile.

5. CAPITAL ASSET SUMMARY

The following is a summary of changes in capital assets during the fiscal year:

| | <u>Balance 7/1/2020</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 6/30/2021</u> |
|--|-----------------------------|------------------|------------------|------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 159,000 | \$ - | \$ - | \$ 159,000 |
| Total capital assets not being depreciated | \$ 159,000 | \$ - | \$ - | \$ 159,000 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 966,682 | \$ 20,305 | \$ - | \$ 986,987 |
| Land improvements | 42,925 | - | - | 42,925 |
| Equipment | 28,989 | 3,700 | - | 32,689 |
| Vehicles | 37,965 | 32,599 | - | 70,564 |
| Total capital assets being depreciated | \$ 1,076,561 | \$ 56,604 | \$ - | \$ 1,133,165 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 75,379 | \$ 26,582 | \$ - | \$ 101,961 |
| Land improvements | 6,438 | 2,146 | - | 8,584 |
| Equipment | 6,291 | 6,005 | - | 12,296 |
| Vehicles | 18,290 | 9,391 | - | 27,681 |
| Total accumulated depreciation | \$ 106,398 | \$ 44,124 | \$ - | \$ 150,522 |
| Other capital assets, net | \$ 970,163 | \$ 12,480 | \$ - | \$ 982,643 |
| Net capital assets | \$ 1,129,163 | \$ 12,480 | \$ - | \$ 1,141,643 |

**SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

6. LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations of the Academy for the year ended June 30, 2021:

| | Balance at July 1, 2020 | Increases | Decreases | Balance at June 30, 2021 | Amounts Due Within One Year |
|-----------------------------|-------------------------------|-----------------|-----------------|--------------------------------|-----------------------------------|
| Compensated absences | \$ 12,878 | \$ 5,013 | \$ 1,932 | \$ 15,959 | \$ 1,596 |
| Total Long Term Obligations | <u>\$ 12,878</u> | <u>\$ 5,013</u> | <u>\$ 1,932</u> | <u>\$ 15,959</u> | <u>\$ 1,596</u> |

7. COMPENSATED ABSENCES

The Academy has accrued the liability arising from outstanding compensated absences. Academy employees earn vacation and sick leave based upon length of service. The Academy has outstanding accrued vacation pay totaling \$15,959, of which the current portion is \$1,596.

8. LEASING COMMITMENTS

Operating - The Academy entered into an operating lease for a copier in September 2017. The lease requires 60 monthly payments in the amount of \$176.

Below is a schedule of future minimum lease payments.

| | |
|-------|-----------------|
| 2022 | \$ 2,108 |
| 2023 | 527 |
| Total | <u>\$ 2,635</u> |

9. PENSION PLAN

Plan Description

All full-time, salaried permanent employees of the Academy are automatically covered by a VRS Retirement Plan upon employment, through the County of Warren, Virginia. 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. However, several entities participate in the VRS plan through County of Warren, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. 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.

SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

9. PENSION PLAN: (CONTINUED)

Benefit Structures

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

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

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.

SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

9. PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

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.

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 Academy's contractually required employer contribution rate for the year ended June 30, 2021 was 10.28% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Academy were \$22,207 and \$18,688 for the years ended June 30, 2021 and 2020 respectively.

As previously disclosed, the Academy participates in VRS through the County of Warren, Virginia and accordingly does not receive a separately issued actuarial valuation. Accordingly, the Academy's allocable portion of the County's VRS liability and other VRS data is immaterial and will not be reported in this report.

10. GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

The Academy employees participate in the VRS sponsored GLI Plan through the County of Warren, Virginia as the fiscal agent. The Academy does not have a separate GLI plan.

Plan Description

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

SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

10. GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Plan Description (Continued)

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 described 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 \$8,616 as of June 30, 2021.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the Academy were \$2,895 and \$2,824 for the years ending June 30, 2021 and 2020 respectively.

SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

10. GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions (Continued)

As previously disclosed, the Academy participates in the GLI plan through the County of Warren, Virginia and accordingly does not receive a separately issued actuarial valuation. Accordingly, the Academy's allocable portion of the County's GLI OPEB liability and other GLI data is immaterial and will not be reported in this report.

11. LITIGATION

At June 30, 2021, there were no matters of litigation involving the Academy which would materially affect the Academy's financial position should any court decisions on pending matters not be favorable to the Academy.

12. COVID-19 PANDEMIC

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Academy, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Academy is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**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 MEMBERS
SKYLINE REGIONAL CRIMINAL JUSTICE ACADEMY
MIDDLETOWN, VIRGINIA**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Skyline Regional Criminal Justice Academy as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Skyline Regional Criminal Justice Academy's basic financial statements and have issued our report thereon dated May 4, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
May 4, 2022