

Jim Davis, Superintendent

# **Authority Board Members and Alternates**

County	Members	Alternates
Amelia	Thomas R. Gleason Taylor Harvie Ricky Walker, Sheriff	James Moler
Buckingham	Frank M. Knott, Jr. William Kidd, Sheriff Rebecca Carter	Roger Jamerson
Cumberland	Robert Saunders, Jr. Don Unmussig Darrell Hodges, Sheriff	Wade Stimpson
Lunenburg	Edward Pennington Tracy Gee Arthur Townsend, Sheriff	Donald R. Penland, Jr.
Nottoway	Ronald E. Roark Robert Jones, Sheriff John A. Roark	C.L. Abernathy, Jr.
Prince Edward	James Garnett, Jr. Wade Bartlett L.A. Tony Epps, Sheriff	Sarah Puckett David Wilmoth

# **Table of Contents**

	_	Page
•	t Auditors' Report	1-3 4-8
Basic Finan	cial Statements:	
Exhibit 1	Statement of Net Position	9
Exhibit 2	Statement of Revenues, Expenses and Changes in Net Position	10
Exhibit 3	Statement of Cash Flows	11
Exhibit 4	Fiduciary Funds - Statement of Fiduciary Net Position	12
Notes to Fi	nancial Statements	13-49
Required Su	applementary Information:	
Exhibit 5	Schedule of Changes in Net Pension Liability and Related Ratios	50
Exhibit 6	Schedule of Employer Contributions - Pension Plan	51
Exhibit 7	Notes to Required Supplementary Information - Pension Plan	52
Exhibit 8	Schedule of Authority's Share of Net OPEB Liability - OPEB Plans	53
Exhibit 9	Schedule of Employer Contributions - OPEB Plans	54
Exhibit 10	Notes to Required Supplementary Information - GLI	55
Exhibit 11	Notes to Required Supplementary Information - VLDP	56
Exhibit 12	Notes to Required Supplementary Information - LODA	57
Other Supp	lementary Information:	
Exhibit 13	Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual	58-59
Exhibit 14	Agency Funds - Combining Statement of Changes in Assets and Liabilities	60
Exhibit 15	Summary of Changes in Miscellaneous Items	61
Compliance	:	
Complian	nt Auditors' Report on Internal Control over Financial Reporting and on ce and Other Matters Based on an Audit of Financial Statements Performed in ce with Government Auditing Standards	62-63



# ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

#### INDEPENDENT AUDITORS' REPORT

# TO THE MEMBERS OF THE PIEDMONT REGIONAL JAIL AUTHORITY FARMVILLE, VIRGINIA

#### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Piedmont Regional Jail Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Piedmont Regional Jail 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.

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Piedmont Regional Jail Authority, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Restatement of Beginning Balances

As described in Note 14 to the financial statements, in 2020, the Authority restated beginning balances to correct an error. Our opinion is not modified with respect to this matter.

#### **Other Matters**

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-8 and 50-57 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.

## Supplementary Information

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2020, on our consideration of Piedmont 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 Piedmont 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 Piedmont Regional Jail Authority's internal control over financial reporting and compliance.

Robuson Faren Cox Associates
Charlottesville, Virginia
November 6, 2020

## Management's Discussion and Analysis Year Ended June 30, 2020

This management's discussion and analysis of the Piedmont Regional Jail Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2020. Please read this information in conjunction with the Authority's financial statements, which follow this section.

# Financial Highlights

The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,396,833 (net position). This reflects a decrease of \$795,521 from the prior year compared to an increase of \$2,939,875 in 2019.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of the following:

- 1. Statement of Net Position
- 2. Statement of Revenues, Expenses, and Changes in Net Position
- 3. Statement of Cash Flows
- 4. Statement of Fiduciary Net Position
- 5. Notes to the financial statements

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used to prepare the financial statements.

The statement of net position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing the results of operations during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The statement of cash flows presents the flow of cash resources into and out of the Authority during the year (from operations, financing, and other sources) and how those funds were applied (payment of expenses, repayment of debt, etc.).

The statement of fiduciary net position presents the balances of funds held on behalf of others. These funds are not reflected with other Authority activity because the resources of those funds are not available to support the Authority's own programs.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

#### Overview of the Financial Statements: (Continued)

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for pension and OPEB funding and other supplementary information for budgetary comparison information, changes in assets and liabilities of agency funds, and other miscellaneous information.

### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In this case, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,396,833 at the close of the most recent fiscal year. The financial position of the Authority has declined. With respect to liquidity, the quick ratio (current assets/current liabilities) decreased to 3.8:1 compared to that of 5.8:1 a year ago.

#### Condensed Statement of Net Position

	_	2020		2019
Current and other assets	\$	2,965,084	\$	5,469,117
Capital assets		7,882,673		8,276,114
Total assets	\$	10,847,757	\$	13,745,231
Deferred outflows of resources	\$	2,323,133	\$_	1,251,046
Long-term liabilities	\$	8,447,509	\$	8,997,971
Current liabilities		779,794		944,671
Total liabilities	\$	9,227,303	\$	9,942,642
Deferred inflows of resources	\$	546,754	\$	693,802
Net position:				
Net investment in capital assets	\$	4,976,591	\$	3,032,768
Unrestricted		(1,579,758)		1,327,065
Total net position	\$ <u></u>	3,396,833	\$ <u></u>	4,359,833

At the end of the current fiscal year, the Authority's net investment in capital assets was \$4,976,591. The Authority uses these capital assets to provide incarceration services to participating localities and other governmental entities; therefore, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in Net Position: The Authority's net position decreased by \$795,521.

## Financial Analysis: (Continued)

A comparative analysis of information is presented below:

#### Condensed Statement of Revenues, Expenses, and Change in Net Position

	_	2020		2019
Operating revenues	\$	11,473,464	\$	12,687,999
Operating expenses		12,576,955		12,163,681
Net operating income (loss)	\$	(1,103,491)	\$	524,318
Nonoperating revenues	\$	412,771	\$	394,943
Nonoperating expenses		121,497		145,583
Nonoperating revenues (expenses), net	\$	291,274	\$	249,360
Capital contributions	\$	16,696	\$_	2,165,197
Change in net position	\$_	(795,521)	\$_	2,938,875
Net position, beginning of year	\$	4,359,833	\$	1,420,958
Restatement for correction of error		(167,479)		-
Net position, beginning of year, as restated	\$	4,192,354	\$	1,420,958
Net position, end of year	\$	3,396,833	\$_	4,359,833

Operating revenues are defined as charges for services to participant localities and outside localities and the federal government based on the number of days that inmates are housed. Operating revenues also include grants received from the Compensation Board to help defray salary costs and other expenses. Telephone commissions, work release fees, weekender fees, home electronic monitoring fees, and other miscellaneous revenues are also reported as operating revenues.

Operating expenses are comprised of the direct expenses of operating the Authority. These include salaries and benefits, contractual services and other related operating costs (please reference the schedule of revenues and expenses for a complete breakdown of these charges).

Nonoperating revenues consist of interest earnings, gains on the disposal of capital assets, and grants. Interest expense and issuance costs comprise nonoperating expenses. Grant income increased due to Covid funding received from the member localities.

Capital contributions represent funding received specifically for capital additions. In 2019, state reimbursement for the intake expansion project and assets purchased with Commissary funds represented the balance. In 2020, the contributions represent assets purchased for the benefit of inmates with Commissary funds.

Operating revenues decreased by \$1,214,535 compared to an increase of \$708,046 in 2019. This reflects the decrease in population. Charges for services showed a significant decrease of \$1,158,375 compared to the increase of \$1,077,401 reported in 2019 as a result of increased population and the \$3 per day increase in the rate for housing federal inmates. The Authority is no longer holding inmates for Culpeper, a decrease of \$596,704. Housing for the Bureau of Prisons and US Marshals DC also decreased by \$183,086 and \$674,192.

#### Financial Analysis: (Continued)

The decrease in federal inmates will have a positive impact on Comp board revenue, which is currently reduced by a federal exemption. Fewer participants in the work release and weekender programs resulted in decreases of \$9,319 and \$13,648, respectively compared to an increase of home electronic monitoring participants generating \$12,736 more in revenue. The work release and weekender programs ceased from mid-March to mid-June during the quarantine period as a result of Covid. Operating expenses increased by \$413,274 compared to the prior year. Personnel costs decreased by \$77,991 from the prior year, while fringe benefits increased by \$774,147. This is a result of the pension valuation, which increased the net pension liability this year. Medical care provider costs increased by \$255,127.

Cash Flows: A comparative analysis of information is presented below:

#### Condensed Statement of Cash Flows

	2020	2019
Cash flows provided (used) by operating activities  Cash flows provided (used) by noncapital financing activities	\$ (656,078) \$ 10,000	850,670 10,400
Cash flows provided (used) by capital and related financing activities  Cash flows provided (used) by investing activities	(353,451) 38,680	(2,887,569) 37,893
Net increase (decrease) in cash and cash equivalents	\$ (960,849) \$	(1,988,606)
Cash and cash equivalents, beginning of year	2,382,098	4,370,704
Cash and cash equivalents, end of year	\$ 1,421,249 \$	2,382,098

Cash flows from operating activities are comprised of operating revenues combined with expenses for personnel, benefits and payments to operating suppliers. The decrease in the housing population resulted in negative cash flows from operating activities. Management continues to actively work with other parties to provide additional housing to achieve greater capacity.

Cash flows from capital and related financing activities include the purchase of capital assets and principal and interest payments on debt. The Authority received the \$2,139,464 State reimbursement from for the expansion of the booking/intake area and subsequently paid off the grant anticipation note during the year.

Cash flows from investing activities include interest and investment earnings. The increase in interest income is related to earnings on debt proceeds held in the SNAP accounts.

## Capital Asset and Debt Administration

<u>Capital assets</u> - The Authority's investment in capital assets as of June 30, 2020 amounted to \$7,882,673 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, other improvements, vehicles, and equipment. The investment in capital assets decreased \$393,441 during the year. Additions of \$138,395 during the year included one vehicle, a new camera system, a sprinkler system, a fire alarm panel, a washer for inmate laundry and several other pieces of equipment. In addition, nine vehicles, a utility trailer, and various obsolete furniture and equipment were disposed of during the year. Depreciation recorded in the current year totaled \$531,076.

Additional information on the Authority's capital assets can be found in Note 7 of this report.

<u>Long-term debt</u> - At the end of the current fiscal year, the Authority had total long-term debt and other obligations outstanding of \$8,707,779. The Authority's total debt and other long-term obligations outstanding decreased by \$532,780 during the current fiscal year. Other obligations include the net pension liability, net OPEB liabilities, and compensated absences. Although the grant anticipation note of \$2,139,464 was paid off, the decrease was absorbed by a \$1,530,627 increase in the net pension liability as calculated by the VRS actuary.

Additional information on the Authority's long-term liabilities can be found in Notes 8 and 9 of this report.

#### **SUMMARY**

As demonstrated above, the financial position of Piedmont Regional Jail Authority is measured in terms of resources (assets) we own and obligations (liabilities) we owe on a given date. Looking ahead to FY21m the budgeted amount for federal inmates was decreased to (100) one hundred and non-member local governments were budgeted at sixty (60) inmates. These changes were reflective of staff reductions and the impact of COVID.

## Requests for Information

This financial report is designed to provide a general overview of the Piedmont Regional Jail Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, P.O. Drawer 388, or Rte. 676 Industrial Park Rd., Farmville, Virginia 23901.



## Statement of Net Position As of June 30, 2020

ASSETS	Operating
Current Assets:	
Cash and cash equivalents	\$ 1,078,056
Accounts receivable	40,420
Receivable from agency funds	3,091
Due from other governmental units	1,484,475
Prepaid items	15,849
Total current assets	\$ 2,621,891
Noncurrent Assets:	
Restricted assets:	
Cash and cash equivalents	\$ 343,193
Capital assets (net of accumulated depreciation):	
Land	\$ 12,554
Buildings and improvements	7,146,621
Other improvements	63,967
Furniture and equipment	530,628
Vehicles	128,903
Total capital assets	\$ 7,882,673
Total noncurrent assets	\$ 8,225,866
Total assets	\$ 10,847,757
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 1,511,980
OPEB related items	811,153
Total deferred outflows of resources	\$ 2,323,133
LIABILITIES  Comment Link Hithian	
Current Liabilities:	\$ 461,618
Accounts payable	18,412
Accrued liabilities	39,494
Accrued interest payable	56,570
Compensated absences, current portion	203,700
Bonds and notes payable, current portion  Total current liabilities	\$ 779,794
Noncurrent Liabilities:	7 777,777
	\$ 509,126
Compensated absences, net of current portion	2,494,042
Net pension liability Net OPEB liabilities	2,464,041
	2,980,300
Bonds and notes payable, net of current portion  Total noncurrent liabilities	\$ 8,447,509
Total liabilities	\$ 9,227,303
Total Habitities	7,227,303
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 220,512
OPEB related items	326,242
Total deferred inflows of resources	\$ 546,754
NET POSITION	
Net investment in capital assets	\$ 4,976,591
Unrestricted	(1,579,758)
Total net position	\$ 3,396,833

# Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2020

	_	Operating
Operating Revenues: Charges for services Intergovernmental Telephone commission Medical and pharmacy reimbursement Work release fees/ week-enders Home electronic monitoring Miscellaneous	\$	7,898,409 2,771,012 449,263 165,224 73,741 43,361 72,454
Total operating revenues	\$_	11,473,464
Operating Expenses: Personnel costs Fringe benefits Medical service provider Contractual services Other charges Depreciation	\$	4,750,745 2,080,329 2,536,074 182,353 2,496,378 531,076
Total operating expenses	\$_	12,576,955
Operating income (loss)	\$_	(1,103,491)
Nonoperating Revenues (Expenses): Interest income Grant income Locality reimbursement for bonds and notes Interest expense Gain (Loss) on disposal of capital assets	\$	38,680 46,930 319,916 (121,497) 7,245
Net nonoperating revenues (expenses)	\$_	291,274
Income (loss) before capital contributions	\$_	(812,217)
Capital Contributions: Capital contributions	\$_	16,696
Change in net position	\$	(795,521)
Net position, beginning of year Restatement for correction of error	\$	4,359,833 (167,479)
Net position, beginning of year, as restated	\$_	4,192,354
Net position, end of year	\$_	3,396,833

# Statement of Cash Flows For the Year Ended June 30, 2020

, ,		
Cash flows from operating activities: Receipts from customers	\$	10,893,034
Other receipts	Ţ	36,930
Payments to suppliers		(5,172,838)
Payments to and for employees	_	(6,413,204)
Total cash flows provided by (used for) operating activities	\$	(656,078)
Cash flows from noncapital financing activities:		
Technology grant	\$	10,000
Total cash flows provided by (used for) noncapital financing activities	\$	10,000
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$	(342,940)
Sale of capital assets		8,005
Locality share of debt service State Construction Grant		319,916 2,139,464
Principal paid on capital debt		(2,337,264)
Interest paid on capital debt		(140,632)
Total cash flows provided by (used for) capital and related financing activities	\$	(353,451)
Cash flows from investing activities:		
Interest income	\$	38,680
Total cash flows provided by (used for) investing activities	\$	38,680
Net increase (decrease) in cash and cash equivalents	\$	(960,849)
Cash and cash equivalents, beginning of year (including restricted of \$557,893)	_	2,382,098
Cash and cash equivalents, end of year (including restricted of \$343,193)	\$ 	1,421,249
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$	(1,103,491)
Adjustments to reconcile operating income (loss) to net cash provided		
by (used for) operating activities:  Depreciation		531,076
CARES Act reimbursements		36,930
Changes in assets/deferred outflows and liabilities/deferred inflows:		33,733
Accounts receivable		18,857
Due from other funds		10,119
Due from other governmental units		(609,407)
Prepaid items  Deferred outflows of resources pension related items		(15,849) (967,050)
Deferred outflows of resources OPEB related items		(105,037)
Accounts payable		59,422
Accrued expenses		(1,605)
Compensated absences		(49,663)
Net pension liability		1,530,627
Net OPEB liabilities		156,041
Deferred inflows of resources pension related items  Deferred inflows of resources OPEB related items		(211,290) 64,242
Total cash flows provided by (used for) operating activities	\$	(656,078)
Noncash investing, capital, and financing activities:	_	
Equipment purchased with Commissary funds	\$	16,696

## FIDUCIARY FUNDS

# Statement of Fiduciary Net Position As of June 30, 2020

	_	Agency Funds
ASSETS		
Cash	\$	789,958
Due from inmate fund		39,256
Total assets	\$_	829,214
LIABILITIES  Accounts payable Payable to operating fund Due to commissary fund Amounts held for inmate benefits Amounts held for employee benefits Total liabilities	\$ <sub>\$</sub> -	12,084 3,091 39,256 767,189 7,594 829,214
ו טלמנ נומטונונוכים	→=	027,214

## Notes to Financial Statements As of June 30, 2020

#### NOTE 1 - FINANCIAL REPORTING ENTITY:

The Counties of Amelia, Buckingham, Cumberland, Lunenburg, Nottoway and Prince Edward entered into an agreement dated January 1, 1986, for the purpose of cooperatively establishing and administering the Piedmont Regional Jail. The Board is governed by two members (including the sheriff) from each of the participating localities and conforms to the statutory provisions of the <u>Code of Virginia</u> (1950) as amended. The Jail is considered to be a Jointly Governed Organization of the above localities because each locality is equally represented on the Board. However, the localities do not retain an ongoing financial interest or responsibility. On January 1, 2017, the Jail transitioned to an Authority. The related Service Agreement with the Counties of Amelia, Buckingham, Cumberland, Lunenburg, Nottoway, and Prince Edward was adopted by resolution on April 19, 2017.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying financial statements 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. Basis of Accounting:

The Authority utilizes the enterprise fund method of accounting for financial reporting purposes. Enterprise fund accounting uses the accrual basis of accounting where revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues are charges for services. Operating expenses include the cost of providing services and comprise administrative and depreciation expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Operating Fund is the primary operating fund of the Authority and accounts for all revenues and expenses applicable to the general operations of the Jail. Additionally, the Authority reports agency funds, which account for assets held by the Authority as an agent or custodian of individuals, private organizations, other governmental units or other funds. The inmate account, employee account, and commissary account are the Authority's agency funds.

#### B. Cash and Cash Equivalents:

Cash and cash equivalents (including cash in custody of fiscal agent) include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority. For purposes of the statement of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### C. Investments:

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, 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. The Authority's investments are limited to SNAP funds.

# D. Accounts Receivable:

Accounts receivable are stated at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowance for uncollectible accounts is recorded.

## E. Capital Assets:

To the extent the Authority's capitalization threshold of \$5,000 is met, capital outlays are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis. Construction-in-progress is depreciated upon project completion.

The following estimated useful lives are used to depreciate assets:

Buildings and improvements 30-40 years
Other improvements 15 years
Vehicles, furniture, and other equipment 5-20 years

All purchased capital assets are valued at historical cost. Donated capital assets are recorded at acquisition value on the date donated.

### F. 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. Certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### G. Compensated Absences:

The Authority's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service. All employees earn the same sick pay rate regardless of the length of service. Maximum annual leave accumulation hours are the hours allowable at the time of separation or at the end of any calendar year. Employees terminating their employment are paid, by the Authority, their accumulated annual leave up to the maximum limit. Unused sick leave is not paid at the date of separation. The liabilities for annual and sick leave have been recorded. Accordingly, the amount of annual leave recognized as expense is the amount earned during the year.

## H. Pensions:

For purposes of measuring the net pension liability, 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.

#### I. Other Postemployment Benefits (OPEB):

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

## J. Net Position:

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

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

Notes to Financial Statements As of June 30, 2020 (Continued)

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### J. Net Position: (Continued)

Sometimes the Authority 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

#### K. Use of Estimates:

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

#### L. Budgets and Budgetary Accounting:

A budget is prepared for informational and fiscal planning purposes. None of the participating entities are required to approve the budget. The budget is adopted as a planning document and is not a legal control on expenses. The budget is prepared on the same basis of accounting as the actual amounts in the financial statements.

#### **NOTE 3 - FISCAL AGENT:**

The Treasurer of the County of Nottoway, Virginia is the fiscal agent for Piedmont Regional Jail Authority.

#### NOTE 4 - DEPOSITS AND INVESTMENTS:

#### Deposits:

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

#### Investments:

Statutes authorize the Authority 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).

## NOTE 4 - DEPOSITS AND INVESTMENTS: (CONTINUED)

## **Credit Risk of Investments:**

The Authority does not have a policy related to the credit risk of investments.

#### **Credit Risk of Debt Securities:**

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

Rated Debt Investments Value	Fair Quality Ratings
	AAAm
State Non-Arbitrage Pool	\$ 343,193
Total	\$ 343,193

#### **Interest Rate Risk:**

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

Investment Maturities (	in y	/ears)	
-------------------------	------	--------	--

	Value	Less than 1 Year
State Non-Arbitrage Pool	\$ 343,193	\$ 343,193
Total	\$ 343,193	\$ 343,193

#### **External Investment Pool:**

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

#### **NOTE 5 - INTERFUND BALANCES:**

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

	_	Due From	_	Due To	 Net
Operating Account	\$	3,091	\$	-	\$ 3,091
Inmate Account		-		39,617	(39,617)
Commissary Account	_	39,256		2,730	 36,526
Net	\$_	42,347	\$_	42,347	\$ 

## NOTE 5 - INTERFUND BALANCES: (CONTINUED)

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 Operating Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

## NOTE 6 - DUE FROM OTHER GOVERNMENTAL UNITS:

Per Diem and medical/pharmacy reimbursement:		
Powhatan County Jail	\$	17,056
Southampton Jail		8,656
Rockbridge Regional Jail		6,208
Per Diem and COVID reimbursement:		
Amelia County		121,143
Buckingham County		133,086
Cumberland County		78,652
Lunenburg County		107,773
Nottoway County		226,280
Prince Edward County		230,997
Meal reimbursement:		
Piedmont Juvenile Detention Center		2,033
Due from Commonwealth of Virginia:		
Compensation Board		372,035
Department of Corrections		2,794
Due from Federal Government:		
Bureau of Prisons - North Carolina		34,820
Bureau of Prisons - DC		38,737
US Marshals - East North Carolina	_	104,205
Total due from other governmental units	\$	1,484,475

## **NOTE 7 - CAPITAL ASSETS:**

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

	_	Balance July 1, 2019		Increases	 Decreases	_	Balance June 30, 2020
Capital assets not being depreciated: Land	\$_	12,554	\$_	-	\$ -	\$_	12,554
Capital assets being depreciated: Buildings and improvements Other improvements Furniture and equipment Vehicles	\$	10,939,356 117,088 1,634,922 641,883	\$	42,143 - 71,655 24,597	\$ - - 254,091 139,490	\$	10,981,499 117,088 1,452,486 526,990
Total capital assets being depreciated	\$_	13,333,249	\$	138,395	\$ 393,581	\$_	13,078,063
Accumulated depreciation: Buildings and improvements Other improvements Furniture and equipment Vehicles	\$	3,560,341 45,315 1,024,087 439,946	\$	274,537 7,806 151,862 96,871	\$ - - 254,091 138,730	\$	3,834,878 53,121 921,858 398,087
Total accumulated depreciation	\$_	5,069,689	\$_	531,076	\$ 392,821	\$_	5,207,944
Total capital assets being depreciated, net	\$	8,263,560	\$_	(392,681)	\$ 760	\$_	7,870,119
Net capital assets	\$	8,276,114	\$	(392,681)	\$ 760	\$_	7,882,673

Depreciation amounted to \$531,076 at June 30, 2020.

In addition, the Authority leases a copier. The agreement is for 36 months and payments are approximately \$295 per month.

## **NOTE 8 - COMPENSATED ABSENCES:**

The Authority has outstanding vacation and compensation time pay totaling \$565,696 at June 30, 2020. Of this amount 10% or \$56,570 is estimated as a current obligation.

Balance, June 30, 2019	\$ 447,880
Restatement	167,479
Increase (Decrease)	 (49,663)
Balance, June 30, 2020	\$ 565,696

# **NOTE 9 - LONG-TERM LIABILITIES:**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

		Balance July 1, 2019	R	Restatement	atement Increases Decreases		Balance June 30, 2020		Due Within One Year		
Direct Borrowings and Placements:											
Bonds and notes:											
Revenue Bond	\$	3,381,800	\$	-	\$	-	\$	197,800 \$	3,184,000	\$	203,700
<b>Grant Anticipation Note</b>		2,139,464		-		-		2,139,464	-		-
Total bonds and notes	\$	5,521,264	\$	-	\$	-	\$	2,337,264 \$	3,184,000	\$	203,700
Other obligations:											
Net pension liability	\$	963,415	\$	-	\$	3,279,972	\$	1,749,345 \$	2,494,042	\$	-
Net OPEB liabilities		2,308,000		-		1,187,207		1,031,166	2,464,041		-
Compensated absences	_	447,880		167,479		-		49,663	565,696	_	56,570
Total other obligations	\$	3,719,295	\$_	167,479	\$	4,467,179	\$	2,830,174 \$	5,523,779	\$	56,570
Total long-term liabilities	\$	9,240,559	\$_	167,479	\$	4,467,179	\$	5,167,438 \$	8,707,779	\$ _	260,270

The annual requirements to amortize long-term debt are as follows:

		Direct Borrowings and Placements						
June 30,		Principal		Interest				
				_				
2021	\$	203,700	\$	95,838				
2022		209,900		89,707				
2023		216,200		83,389				
2024		222,700		76,881				
2025		229,400		70,178				
2026-2030		1,254,900		243,064				
2031-2033	_	847,200		51,504				
	_			_				
Totals	\$	3,184,000	\$	710,561				

## NOTE 9 - LONG-TERM LIABILITIES: (CONTINUED)

As of June 30, 2020, the Authority's long-term debt consisted of the following:

Date		Interest	Amount		
Issued	Description	Rate (a)	Outstanding	Installments	Frequency
		-			
Direct Borrow	vings and Placements:				
12/1/2017	Jail Facility Revenue Bond, 2017	3.01% \$	3,184,000	\$176,400 - \$290,800	Annual

<sup>(</sup>a) Interest payments due semi-annually on each February 1 and August 1 commencing August 1, 2018.

In the event of a default, the lender may declare the unpaid principal balance of the bond along with all accrued interest thereon to be immediately due and payable. The lender may take whatever action at law or in equity may appear necessary or desirable to collect the amounts hereunder then due and thereafter to become due or to enforce observance or performance of any covenant condition or agreement of the Authority under the financing agreement or the bond.

## **NOTE 10 - 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; and natural disasters for which the Authority carries insurance.

The Authority is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Authority pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion 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 losses. For the previous three fiscal years, settled claims from these risks have not exceeded commercial coverage.

#### **NOTE 11 - LITIGATION:**

At June 30, 2020, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable. Pending lawsuits will be covered by the Authority's insurance provider, if necessary.

## **NOTE 12 - PENSION PLAN:**

## Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the <u>Code of Virginia</u>, 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. 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 12 - 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	44
Inactive members: Vested inactive members	14
Non-vested inactive members	117
Inactive members active elsewhere in VRS	91
Total inactive members	222
Active members	129
Total covered employees	395

Notes to Financial Statements As of June 30, 2020 (Continued)

## NOTE 12 - PENSION PLAN: (CONTINUED)

#### **Contributions**

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2020 was 12.47% 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 Authority were \$514,681 and \$544,930 for the years ended June 30, 2020 and June 30, 2019, respectively.

## **Net Pension Liability**

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Authority, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

#### Actuarial Assumptions - General Employees

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

Inflation 2.50%

Salary increases, including inflation 3.50% - 5.35%

Investment rate of return 6.75%, net of pension plan investment

expenses, including inflation\*

<sup>\*</sup> 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.

Notes to Financial Statements As of June 30, 2020 (Continued)

## NOTE 12 - 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% of rates.

#### Post-Retirement:

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

#### Post-Disablement:

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

#### 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.

## NOTE 12 - PENSION PLAN: (CONTINUED)

# Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)

Inflation 2.50%

Salary increases, including inflation 3.50% - 4.75%

Investment rate of return 6.75%, net of pension plan investment

expenses, including inflation\*

#### 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.

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

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

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

<sup>\*</sup> 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 12 - 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 arithme	tic nominal return	7.63%

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

#### Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution

Notes to Financial Statements As of June 30, 2020 (Continued)

## NOTE 12 - PENSION PLAN: (CONTINUED)

## Discount Rate: (Continued)

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

	Increase (Decrease)							
		Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (a) - (b)		
Balances at June 30, 2018	\$	15,247,141	\$	14,283,726	\$	963,415		
Changes for the year:								
Service cost	\$	713,345	\$	-	\$	713,345		
Interest		1,034,530		-		1,034,530		
Changes of assumptions		542,130		-		542,130		
Differences between expected								
and actual experience		980,062		-		980,062		
Contributions - employer		-		547,435		(547,435)		
Contributions - employee		-		243,745		(243,745)		
Net investment income		-		958,165		(958,165)		
Benefit payments, including refunds								
of employee contributions		(936,283)		(936,283)		-		
Administrative expenses		-		(9,303)		9,303		
Other changes		-		(602)		602		
Net changes	\$	2,333,784	\$	803,157	\$	1,530,627		
Balances at June 30, 2019	\$	17,580,925	\$_	15,086,883	\$	2,494,042		

## NOTE 12 - PENSION PLAN: (CONTINUED)

## Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	Rate			
	1% Decrease	Current Discount	1% Increase (7.75%)	
	(5.75%)	(6.75%)		
Jail's Net Pension Liability	\$ 4,888,902 \$	2,494,042 \$	596,213	

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

For the year ended June 30, 2020, the Authority recognized pension expense of \$869,473. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	_	Deferred Outflows of Resources	_	Deferred Inflows of Resources
Differences between expected and actual experience	\$	642,110	\$	84,423
Change of assumptions		355,189		-
Net difference between projected and actual earnings on pension plan investments		-		136,089
Employer contributions subsequent to the measurement date		514,681		
Total	\$	1,511,980	Ş	220,512

\$514,681 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2021	\$ 431,105
2022	343,069
2023	(4,642)
2024	7,255

Notes to Financial Statements As of June 30, 2020 (Continued)

## NOTE 12 - PENSION PLAN: (CONTINUED)

#### Pension Plan Data

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

### NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

## 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 <u>Code of Virginia</u>, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI OPEB, including eligibility, coverage and benefits 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.

Notes to Financial Statements As of June 30, 2020 (Continued)

## NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

### **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.

#### **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, 2015. 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 \$21,836 and \$23,105 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 \$368,250 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 .02263% as compared to .02553% at June 30, 2018.

## NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

#### 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)

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$6,263. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	_	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	24,491	\$ 4,777
Net difference between projected and actual earnings on GLI OPEB plan investments		-	7,564
Change in assumptions		23,249	11,104
Changes in proportion		20,004	38,689
Employer contributions subsequent to the measurement date		21,836	<u>-</u>
Total	\$	89,580	\$ 62,134

\$21,836 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	\$ (944)
2022	(943)
2023	2,260
2024	4,074
2025	1,448
Thereafter	(285)

Notes to Financial Statements As of June 30, 2020 (Continued)

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

#### 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.

Notes to Financial Statements As of June 30, 2020 (Continued)

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General 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 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%

#### 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.

Notes to Financial Statements As of June 30, 2020 (Continued)

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

#### **NET GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan 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	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 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

#### 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 arithmet	tic nominal return	7.63%

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

#### Discount Rate

The discount rate used to measure the total 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.

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

# Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

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

	Rate			
	1% Decrease	Current Discount	1% Increase	
	(5.75%)	(6.75%)	(7.75%)	
Authority's proportionate share of the GLI Plan				
Net OPEB Liability	\$ 483,779	368,250 \$	274,559	

# **GLI Plan Fiduciary Net Position**

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

#### Virginia Local Disability Program (VLDP):

## **Plan Description**

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

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

#### Eligible Employees

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

Notes to Financial Statements As of June 30, 2020 (Continued)

#### NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Virginia Local Disability Program (VLDP): (Continued)

Plan Description: (Continued)

#### **Benefit Amounts**

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

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

#### **VLDP Notes**

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

#### **Contributions**

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2020 was 0.72% of covered employee compensation for employees in the VRS Political Subdivision VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS Political Subdivision VDLP were \$1,564 and \$1,671 for the years ended June 30, 2020 and June 30, 2019, respectively.

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

# <u>Virginia Local Disability Program (VLDP): (Continued)</u>

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

At June 30, 2020, the Authority reported a liability of \$1,521 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2019 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Authority's proportion of the Net VLDP OPEB Liability was based on the Authority's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Authority's proportion of the VLDP was .07510% as compared to .07134% at June 30, 2018.

For the year ended June 30, 2020, the Authority recognized VLDP OPEB expense of \$1,794. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

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

	De	eferred Outflows of Resources	 Deferred Inflows of Resources
Differences between expected and actual experience	\$	763	\$ 47
Net difference between projected and actual earnings on VLDP OPEB program investments		5	-
Change in assumptions		44	58
Changes in proportion		29	-
Employer contributions subsequent to the measurement date		1,564	 
Total	\$	2,405	\$ 105

\$1,564 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

Year Ended June 30	
2021	\$ 153
2022	152
2023	151
2024	153
2025	145
Thereafter	(18)

Notes to Financial Statements As of June 30, 2020 (Continued)

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

#### Virginia Local Disability Program (VLDP): (Continued)

#### **Actuarial Assumptions**

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

Inflation 2.50%

Salary increases, including inflation 3.50%-5.35%

Investment rate of return 6.75%, net of program investment expenses,

including inflation\*

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

#### Pre-Retirement:

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

#### Post-Retirement:

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

#### Post-Disablement:

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

<sup>\*</sup>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.

Notes to Financial Statements As of June 30, 2020 (Continued)

#### NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

#### Virginia Local Disability Program (VLDP): (Continued)

Actuarial Assumptions: (Continued)

# Mortality Rates - Non-Largest Ten Locality Employers - General and Non-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 Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

#### Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

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

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

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

# <u>Virginia Local Disability Program (VLDP): (Continued)</u>

## Long-Term Expected Rate of Return

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

Asset Class (Strategy)	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 arithme	tic 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.

#### **Discount Rate**

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

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

# Virginia Local Disability Program (VLDP): (Continued)

Sensitivity of the Employer's Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Authority's proportionate share of	_			
the Net VLDP OPEB Liability	\$	1,750 \$	1,521 \$	1,322

# **VLDP OPEB Fiduciary Net Position**

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

#### Line of Duty Act (LODA) Program:

#### Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to \$9.1-400 et seq. of the <u>Code of Virginia</u>, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System). Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

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

#### Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Notes to Financial Statements As of June 30, 2020 (Continued)

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

#### **Benefit Amounts**

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

#### **Contributions**

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2020 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-asyou-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$72,694 and \$78,340 for the years ended June 30, 2020 and June 30, 2019, respectively.

# LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2020, the entity reported a liability of \$2,094,270 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2019 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2019, the entity's proportion was .58371% as compared to .61256% at June 30, 2018.

For the year ended June 30, 2020, the entity recognized LODA OPEB expense of \$202,091. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

#### Line of Duty Act (LODA) Program: (Continued)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)

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

	_	Deferred Outflows of Resources	_	Deferred Inflows of Resources
Differences between expected and actual experience	\$	304,400	\$	-
Net difference between projected and actual earnings on LODA OPEB program investments		-		4,146
Change in assumptions		98,265		181,549
Change in proportion		243,809		78,308
Employer contributions subsequent to the measurement date	_	72,694	_	<u>-</u> _
Total	\$	719,168	\$	264,003

\$72,694 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA 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 LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30		
2021	S	55,841
2022	4	55,849
2023		56,490
2024		57,173
2025		57,375
Thereafter		99,743

Notes to Financial Statements As of June 30, 2020 (Continued)

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

# Line of Duty Act (LODA) Program: (Continued)

# **Actuarial Assumptions**

The total LODA 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 employees N/A

Medical cost trend rates assumption:

Under age 65 7.25%-4.75% Ages 65 and older 5.50%-4.75%

Year of ultimate trend rate:

Post-65 Fiscal year ended 2023
Pre-65 Fiscal year ended 2028

Investment rate of return 3.50%, including inflation\*

# Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

#### Pre-Retirement:

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

#### Post-Retirement:

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

#### Post-Disablement:

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

<sup>\*</sup>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 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

Notes to Financial Statements As of June 30, 2020 (Continued)

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety 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. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020						
Retirement Rates	Increased age 50 rates and lowered rates at older ages						
Withdrawal Rates	Adjusted termination rates to better fit experience at eac 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%						

# **Net LODA OPEB Liability**

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

	LO	DA Program
Total LODA OPEB Liability	\$	361,626
Plan Fiduciary Net Position		2,839
LODA Net OPEB Liability (Asset)	\$	358,787
Plan Fiduciary Net Position as a Percentage		
of the Total LODA OPEB Liability		0.79%

The total LODA 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 OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

#### Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

# Line of Duty Act (LODA) Program: (Continued)

#### Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

# Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.50%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

		Discount Rate				
	_	1% Decrease (2.50%)	Current (3.50%)	1% Increase (4.50%)		
Authority's proportionate share of	_	2 (22 522 ¢	2 22 4 272 6	4 000 400		
the LODA Net OPEB Liability	\$	2,429,503 \$	2,094,270 \$	1,829,123		

# Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate:

		Health Care Trend Rates						
	•	1% Decrease		Current		1% Increase		
		(6.75% decreasing to 3.75%)		(7.75% decreasing to 4.75%)		(8.75% decreasing to 5.75%)		
Authority's proportionate share of the LODA Net OPEB Liability	\$	1,770,685	\$	2,094,270	\$	2,502,345		

#### LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program 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 <a href="http://www.varetire.org/pdf/publications/2019-annual-report.pdf">http://www.varetire.org/pdf/publications/2019-annual-report.pdf</a>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

# NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

#### **OPEB Aggregate Totals**

	_	Net OPEB Liablities	 Deferred Outflows	 Deferred Inflows	 Expense
GLI	\$	368,250	\$ 89,580	\$ 62,134	\$ 6,263
VLDP		1,521	2,405	105	1,794
LODA		2,094,270	719,168	264,003	202,091
Total	\$	2,464,041	\$ 811,153	\$ 326,242	\$ 210,148

#### NOTE 14 - RESTATEMENT OF BEGINNING BALANCES:

The beginning balances were restated to correct an error in the calculation of compensated absences. The following restatement was made:

Net Position July 1, 2019	\$	4,359,833
Correction of error	_	(167,479)
Net Position as restated July 1, 2019	\$	4,192,354

#### NOTE 15 - COVID-19 PANDEMIC:

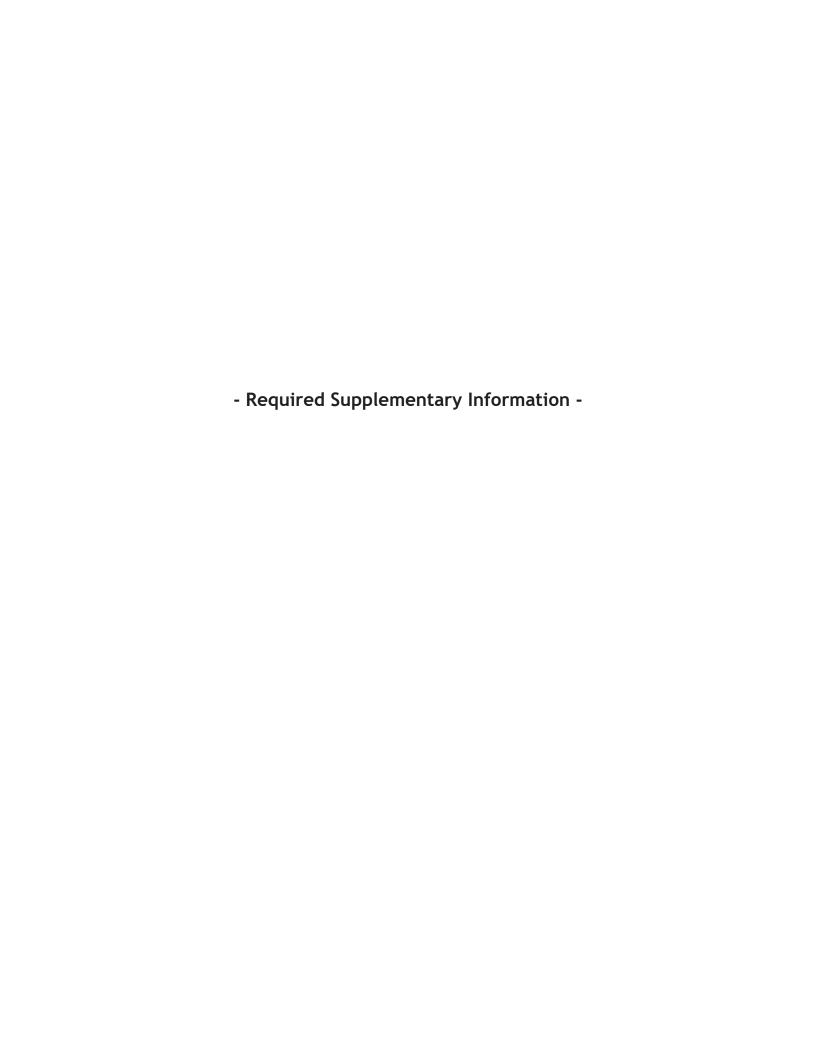
On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, which has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. Management is monitoring the 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 Authority 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 16 - 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.

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



#### Schedule of Changes in Net Pension Liability and Related Ratios For the Measurement Dates of June 30, 2014 through June 30, 2019

		2019	2018		2017		2016		2015		2014
Total pension liability	_			_		_		_		-	
Service cost	\$	713,345 \$	717,014	\$	690,790	\$	576,490	\$	612,966	\$	618,910
Interest		1,034,530	990,680		946,183		909,641		813,004		748,633
Changes of assumptions		542,130	-		(190,981)		-		-		-
Differences between expected and actual experience		980,062	(246,773)		(208,204)		(503,505)		414,810		-
Benefit payments		(936,283)	(732,690)		(471,562)		(449,620)		(470,880)		(425,042)
Net change in total pension liability	\$	2,333,784 \$	728,231	\$	766,226	\$	533,006	\$	1,369,900	\$ _	942,501
Total pension liability - beginning		15,247,141	14,518,910		13,752,684		13,219,678		11,849,778		10,907,277
Total pension liability - ending (a)	\$	17,580,925 \$	15,247,141	\$	14,518,910	\$	13,752,684	\$	13,219,678	\$	11,849,778
	=			=		=		=		=	
Plan fiduciary net position											
Contributions - employer	\$	547,435 \$	643,737	\$	595,603	\$	568,490	\$	507,606	\$	543,881
Contributions - employee		243,745	264,878		238,371		213,593		198,327		231,309
Net investment income		958,165	984,589		1,415,059		202,505		471,723		1,361,667
Benefit payments		(936,283)	(732,690)		(471,562)		(449,620)		(470,880)		(425,042)
Administrator charges		(9,303)	(8,195)		(7,659)		(6,444)		(6,146)		(6,982)
Other		(602)	(886)		(1,283)		(83)		(100)		71
Net change in plan fiduciary net position	\$	803,157 \$	1,151,433	\$	1,768,529	\$	528,441	\$ -	700,530	\$ <b>-</b>	1,704,904
Plan fiduciary net position - beginning		14,283,726	13,132,293		11,363,764		10,835,323		10,134,793		8,429,889
Plan fiduciary net position - ending (b)	\$	15,086,883 \$	14,283,726	\$	13,132,293	\$	11,363,764	\$ _	10,835,323	\$ =	10,134,793
Authority's net pension liability - ending (a) - (b)	\$	2,494,042 \$	963,415	\$	1,386,617	\$	2,388,920	\$	2,384,355	\$	1,714,985
Plan fiduciary net position as a percentage of the total pension liability		85.81%	93.68%		90.45%		82.63%		81.96%		85.53%
total pension liability		03.01/0	75.00%		70.43/0		02.03/0		01.70%		03.33%
Covered payroll	\$	4,387,858 \$	4,818,551	\$	4,477,838	\$	4,223,842	\$	3,764,719	\$	3,825,657
Authority's net pension liability as a percentage of covered payroll		56.84%	19.99%		30.97%		56.56%		63.33%		44.83%

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.

# 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 (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 514,681	\$ 514,681	\$ - \$	4,151,319	12.40%
2019	544,930	544,930	-	4,387,858	12.42%
2018	643,737	643,737	-	4,818,551	13.36%
2017	598,717	598,717	-	4,477,838	13.37%
2016	570,219	570,219	-	4,223,842	13.50%
2015	508,194	508,194	-	3,764,719	13.50%
2014	544,008	544,008	-	3,825,657	14.22%
2013	571,503	571,503	-	4,019,010	14.22%
2012	589,482	589,482	-	4,054,208	14.54%
2011	603,615	603,615	-	4,151,408	14.54%

# 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%

# Schedule of Authority's Share of Net OPEB Liability - OPEB Plans For the Measurement Dates of June 30, 2017 through 2019

Date (1)	Employer's Proportion of the Net OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net OPEB Liability (Asset) (3)		Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability (6)			
Group Life I	Insurance (GLI) Plan								
2019	0.02263%	\$ 368,250	\$	4,437,288	8.30%	52.00%			
2018	0.02553%	388,000		4,854,956	7.99%	51.22%			
2017	0.02439%	367,000		4,499,073	8.16%	48.86%			
Virginia Loc	al Disability Program (V	/LDP)							
2019	0.07510%	\$ 1,521	\$	232,073	0.66%	49.19%			
2018	0.07134%	-		173,216	0.00%	51.39%			
2017	0.09163%	1,000		168,254	0.59%	38.40%			
Line of Duty Act Program (LODA)									
2019	0.58371%	\$ 2,094,270	\$	4,093,968	51.16%	0.79%			
2018	0.61256%	1,920,000		4,512,158	42.55%	0.60%			
2017	0.57341%	1,507,000		4,363,648	34.54%	1.30%			

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.

# Schedule of Employer Contributions - OPEB Plans 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 (Excess) (3)	- <del>-</del>	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
•		rance (GLI) Plan						
2020	\$	21,836	\$	21,836	\$ -	\$	4,199,176	0.52%
2019		23,105		23,105	-		4,437,288	0.52%
2018		25,440		25,440	-		4,854,956	0.52%
2017		23,395		23,395	-		4,499,073	0.52%
2016		20,397		20,397	-		4,249,472	0.48%
2015		18,138		18,138	-		3,778,655	0.48%
2014		18,398		18,398	-		3,832,952	0.48%
2013		19,347		19,347	-		4,030,608	0.48%
2012		11,508		11,508	-		4,110,159	0.28%
2011		11,671		11,671	-		4,168,176	0.28%
Virginia Loca	al D	isability Program	(V	LDP)				
2020	\$	1,564	\$	1,564	\$ -	\$	217,260	0.72%
2019		1,671		1,671	-		232,073	0.72%
2018		1,039		1,039	-		173,216	0.60%
2017		1,010		1,010	-		168,254	0.60%
2016		1,037		1,037	-		172,882	0.60%
2015		380		380	-		63,365	0.60%
2014		42		42	-		6,933	0.61%

Schedule is intended to show information for 10 years. The Authority did not participate in the program until the new hybrid retirement plan in 2014.

Line of Duty	y Act (LC	DDA) Program				
2020	\$	72,694 \$	72,694 \$	- \$	3,836,204	1.89%
2019		78,340	78,340	-	4,093,968	1.91%
2018		65,248	65,248	-	4,512,158	1.45%
2017		61,843	61,843	-	4,363,648	1.42%
2016		47,733	47,733	-	4,197,868	1.14%
2015		50,327	50,327	-	3,792,772	1.33%
2014		48,543	48,543	-	3,630,861	1.34%
2013		42,673	42,673	-	3,561,015	1.20%
2012		24,325	24,325	-	3,541,485	0.69%

FY 2011 was the first year for the Line of Duty Act Program (LODA), however there were no contributions. The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.

# 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%

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

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

# Notes to Required Supplementary Information - Line of Duty Act (LODA) Program 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 results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

# Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-	Updated to a more current mortality table - RP-2014
retirement healthy, and disabled)	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%



# Schedule of Revenues, Expenses, and Changes in Net Position Budget and Actual For the Year Ended June 30, 2020

	Budgeted	d Aı	mounts		Actual		ariance with Final Budget- Positive
	Original		Final		Amounts		(Negative)
Operating revenues:							
Local revenue:							
Charges to governmental entities \$	10,245,732	\$	10,245,732	\$	7,898,409	Ş	(2,347,323)
Medical and pharmacy reimbursement	80,391		80,391		165,224		84,833
Work release fees/ week-enders	84,996		84,996		73,741		(11,255)
Home electronic monitoring	24,996		24,996		43,361		18,365
Telephone commission	374,004		374,004		449,263		75,259
Other income	43,704	—	43,704		72,454	—	28,750
Total local revenue \$_	10,853,823	\$_	10,853,823	\$	8,702,452	.\$_	(2,151,371)
Intergovernmental:							
Revenue from the Commonwealth:							
Categorical aid:							
Compensation Board \$_	2,854,776	\$	2,854,776	\$	2,771,012	\$	(83,764)
Total revenue from the Commonwealth \$_	2,854,776	\$	2,854,776	\$	2,771,012	\$	(83,764)
Total operating revenues \$_	13,708,599	\$_	13,708,599	\$_	11,473,464	\$	(2,235,135)
Operating expenses:							
Salaries \$	5,506,020	Ś	5,506,020	S	4,750,745	Ś	755,275
Employee fringe benefits	1,993,008	•	1,993,008	т.	2,080,329	*	(87,321)
Advertising	6,000		6,000		15,178		(9,178)
Dues and memberships	3,996		3,996		5,074		(1,078)
Books and subscriptions	96		96		71		25
Uniforms	20,004		20,004		20,008		(4)
In-Service training	52,740		52,740		50,767		1,973
Food supplies	876,996		876,996		765,669		111,327
Food Juvenile Detention Center	45,000		45,000		27,908		17,092
Kitchen supplies	36,996		36,996		42,929		(5,933)
Janitorial and laundry supplies	30,000		30,000		30,050		(50)
Maintenance contracts	42,000		42,000		41,247		753
Maintenance - buildings and grounds	146,004		146,004		134,245		11,759
Medical service provider	2,788,740		2,788,740		2,536,074		252,666
Medical and pharmacy supplies	470,004		470,004		402,234		67,770
Postage	5,004		5,004		4,998		6
Office supplies	34,596		34,596		27,946		6,650
Technology equipment	,570		- 1,570		7,128		(7,128)
Office equipment	12,000		12,000		13,006		(1,006)
Physician and dentist, etc.	181,860		181,860		120,051		61,809
Printing and copying	3,000		3,000		-		3,000

# PIEDMONT REGIONAL JAIL

# Schedule of Revenues, Expenses, and Changes in Net Position Budget and Actual For the Year Ended June 30, 2020 (Continued)

							Variance with Final Budget-
	_	Budgete	d A			Actual	Positive
0 (6 1)	_	Original	_	Final		Amounts	(Negative)
Operating expenses: (Continued)	۲	110 106	ċ	110 106	Ċ	04 EE9 ¢	10 (20
Professional services	\$	110,196 4,896	Þ	110,196 4,896	þ	91,558 \$ 2,513	18,638 2,383
Freight/delivery		62,004		62,004		2,513 44,580	2,363 17,424
Telephone Repairs and maintenance		55,296		55,296		50,050	5,246
Radio maintenance		2,496		2,496		3,239	(743)
Vehicle supplies		78,000		78,000		40,335	37,665
Security supplies		24,996		24,996		24,287	709
Extermination		1,704		1,704		19,920	(18,216)
Miscellaneous		9,996		9,996		12,396	(2,400)
Travel and lodging		12,000		12,000		9,829	2,171
Propane		72,996		72,996		56,065	16,931
Electricity/heating		155,004		155,004		136,153	18,851
Water/sewer		467,436		467,436		328,102	139,334
Insurance		158,028		158,028		88,668	69,360
Refuse collection		7,500		7,500		8,633	(1,133)
Home electronic monitoring expenses		21,000		21,000		25,697	(4,697)
Capital outlays		150,000		150,000		-	150,000
Vehicle purchase		45,996		45,996		_	45,996
Contingencies		24,983		24,983		28,197	(3,214)
Total operating expenses	- \$		 S	13,718,591	<u> </u>	12,045,879 \$	
	Ť-		-				
Net operating income (loss)	\$_	(9,992)	.\$_	(9,992)	<sup>\$</sup> _	(572,415) \$	(562,423)
Nonoperating revenues (expenses):							
Interest income	\$	-	\$	-	\$	38,680 \$	38,680
Grant income		9,996		9,996		46,930	36,934
Locality reimbursement for bonds and notes		299,592		299,592		319,916	20,324
Principal payments		(248,700)		(248,700)		(197,800)	50,900
Interest expense		(50,896)		(50,896)		(121,497)	(70,601)
Gain (Loss) on disposal of capital assets	_	-		-		7,245	7,245
Net nonoperating revenues (expenses)	\$_	9,992	\$	9,992	\$	93,474 \$	83,482
Capital contributions	\$_	-	\$	-	\$	16,696 \$	16,696
Reconciling items from budgetary basis to change in	n net i	nosition:					
Principal payments	\$		\$	_	ς	197,800 \$	197,800
Depreciation	Ÿ		7		Y	(531,076)	(531,076)
Depreciation	_		-		-	(331,070)	(331,070)
Change in net position	\$	-	\$	-	\$	(795,521) \$	(795,521)
Net position, beginning of year, restated	_	-		-	_	4,192,354	4,192,354
Net position, end of year	\$_	-	\$	-	\$	3,396,833 \$	3,396,833

# **AGENCY FUNDS**

# Combining Statement of Changes in Assets and Liabilities For the Year Ended June 30, 2020

		Balance July 1, 2019	Additions		Deductions		Balance June 30, 2020
Inmate Account	_					_	
Assets: Cash	\$	105 11 <i>1</i> ¢	1,149,252	ċ	1,147,513	ċ	196,853
	=		1,147,232	ڔ	1,147,313	ر =	170,033
Liabilities: Accounts payable	\$	- \$	4,919	¢	-	Ċ	4,919
Payable to operating fund	۲	2,350	361	ب	2,350	ڔ	361
Due to commissary fund		64,364	39,256		64,364		39,256
Amounts held for inmate benefits		128,400	1,104,716		1,080,799		152,317
Total liabilities	\$	195,114 \$		\$	1,147,513	\$	196,853
Commissary Account	_					_	
Assets:							
Cash	\$	591,482 \$	827,215	\$	833,186	\$	585,511
Due from inmate fund		64,364	39,256		64,364		39,256
Total assets	\$	655,846 \$	866,471	\$	897,550	\$	624,767
Liabilities:	-					-	
Accounts payable	\$	28,021 \$	7,165	\$	28,021	\$	7,165
Payable to operating fund		10,860	2,730		10,860		2,730
Amounts held for inmate benefits		616,965	856,576		858,669		614,872
Total liabilities	\$	655,846 \$	866,471	\$	897,550	\$	624,767
Employee Account							
Assets:							
Cash	\$_	8,137 \$	7,077	\$	7,620	\$	7,594
Liabilities:							
Amounts held for employee benefits	\$_	8,137 \$	7,077		7,620		7,594
Total liabilities	\$	8,137 \$	7,077	\$	7,620	\$_	7,594
TOTALS:							
Assets:							
Cash	\$	794,733 \$	1,983,544	\$	1,988,319	\$	789,958
Due from inmate fund		64,364	39,256		64,364		39,256
Total assets	\$_	859,097 \$	2,022,800	\$	2,052,683	\$	829,214
Liabilities:							
Accounts payable	\$	28,021 \$	12,084	\$	28,021	\$	12,084
Payable to operating fund		13,210	3,091		13,210		3,091
Due to commissary fund		64,364	39,256		64,364		39,256
Amounts held for inmate benefits		745,365	1,961,292		1,939,468		767,189
Amounts held for employee benefits		8,137	7,077		7,620		7,594
Total liabilities	\$	859,097 \$	2,022,800	\$	2,052,683	\$	829,214

# Summary of Changes in Miscellaneous Items For the Year Ended June 30, 2020

	Receipts		Disbursements	,	Excess of Revenues over (under) Expenditures
Inmate Canteen Account	\$ 866,471	\$	897,550	\$	(31,079)
Jail Telephone Commissions	577,696		222,523		355,173 *
Home Electronic Monitoring	43,361		25,697		17,664
Work Release Fees	42,542		-		42,542
Weekenders	31,199		-		31,199
Inmate Medical Co-payment	612		612		
	\$ 1,561,881	\$	1,146,382	\$	415,499

<sup>\*</sup> Note: This includes activity in the operating account, commissary account, and inmate account.





# 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 OF THE PIEDMONT REGIONAL JAIL AUTHORITY FARMVILLE, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and aggregate remaining fund information of Piedmont Regional Jail Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Piedmont Regional Jail Authority's basic financial statements and have issued our report thereon dated November 6, 2020.

# Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Piedmont Regional Jail Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Piedmont Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Piedmont Regional Jail Authority's internal control.

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

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

# Compliance and Other Matters

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

# Purpose of this Report

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

Robuson Faren Cox Associates
Charlottesville, Virginia
November 6, 2020