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

SOUTHSIDE REGIONAL JAIL AUTHORITY

BOARD OF DIRECTORS

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D. Keith Prince, Jr, City of Emporia Sheriff

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

**To the Honorable Members of
Southside Regional Jail Authority
Emporia, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Southside Regional Jail Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Southside 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

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 3-6 and 44-54 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, on our consideration of Southside 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 Southside 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 Southside Regional Jail Authority's internal control over financial reporting and compliance.



Charlottesville, Virginia
December 14, 2020

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

As management of Southside Regional Jail Authority (the Authority), we offer this narrative overview and analysis of the financial performance and 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 FOR FY 2020

The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,841,199.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements.

Enterprise fund financial statements. The enterprise fund 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 statement of net position presents information on the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the components 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 how the Authority's net position changed 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 the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. earned but unused vacation leave).

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

The Authority's net position decreased \$410,611 for the fiscal year ending June 30, 2020. The decrease in net position is attributable to a decrease in operating expenses.

FINANCIAL SUMMARY

Financial Position. A comparative summary schedule of Southside Regional Jail Authority's Statement of Net Position for 2020 and 2019 is presented below:

Condensed Statement of Net Position		
	2020	2019
Current and other assets	\$ 1,918,273	\$ 2,362,680
Net pension asset	-	357,360
Net capital assets	4,789,933	5,086,266
Total assets	\$ 6,708,206	\$ 7,806,306
Deferred outflows of resources	\$ 960,889	\$ 386,906
Total assets and deferred outflows of resources	\$ 7,669,095	\$ 8,193,212
Other liabilities	\$ 300,937	\$ 214,254
Long-term liabilities	3,330,964	3,395,074
Total liabilities	\$ 3,631,901	\$ 3,609,328
Deferred inflows of resources	\$ 195,995	\$ 332,074
Net position:		
Net investment in capital assets	\$ 2,558,230	\$ 2,372,757
Restricted	47,129	870,634
Unrestricted	1,235,840	1,008,419
Total net position	\$ 3,841,199	\$ 4,251,810
Total liabilities, deferred inflows of resources and net position	\$ 7,669,095	\$ 8,193,212

The financial position of Southside Regional Jail Authority continues to remain stable. This is evidenced by the Authority's strong liquidity, with a Quick Ratio (Current Assets/Current Liabilities) of 11/1 (excluding current portion of long-term debt). The Authority's unrestricted net position represents 32% of total net position.

CHANGE IN NET POSITION

A comparative summary schedule of Southside Regional Jail Authority's Statement of Revenues, Expenses and Changes in Net Position for 2020 and 2019 is presented below:

Condensed Statement of Revenues, Expenses and Changes in Net Position		
	2020	2019
Operating revenues	\$ 4,911,611	\$ 4,526,156
Operating expenses	(5,229,563)	(4,212,693)
Net operating income (loss)	\$ (317,952)	\$ 313,463
Nonoperating revenues	290	4,742
Nonoperating expenses	(92,949)	(85,110)
Change in net position	\$ (410,611)	\$ 233,095
Net position, beginning of year	4,251,810	4,190,015
Restatement for GASB Statement 75	-	(171,300)
Net position, beginning of year, restated	\$ 4,251,810	\$ 4,018,715
Net position, end of year	\$ 3,841,199	\$ 4,251,810

CHANGE IN NET POSITION (CONTINUED)

Operating revenues are defined as charges for services to participant localities, outside localities and the Commonwealth based upon prisoner days. Operating revenues also include reimbursements from the Compensation Board for salaries and benefits and other outside revenue sources.

Operating expenses are comprised of the direct expenses of operating the Authority. These include salaries and benefits, contractual services and other inmate related jail operating costs.

Nonoperating revenues (expenses) consist of interest and investment earnings and interest expense.

CASH FLOWS

A comparative summary schedule of Southside Regional Jail Authority's Statement of Cash Flows for 2020 and 2019 is presented below:

Condensed Statement of Cash Flows		
	2020	2019
Cash flows from operating activities	\$ 10,139	\$ 300,986
Cash flows from capital and related financing activities	(561,643)	385,115
Cash flows from investing activities	290	4,742
Net increase (decrease) in cash and cash equivalents	\$ (551,214)	\$ 690,843
Cash and cash equivalents, beginning of year	1,893,277	1,202,434
Cash and cash equivalents, end of year	<u>\$ 1,342,063</u>	<u>\$ 1,893,277</u>

Cash flows from operating activities are comprised of operating revenues combined with expenditures for personnel, benefits and payments to operating suppliers. Cash flows from noncapital transactions are comprised of funds received from nonoperating sources.

Cash flows from capital and related financing activities include the purchase of capital assets and principal and interest paid on capital debt. Cash flows from investing activities include interest and investment earnings.

The difference in cash and cash equivalents from the beginning to the end of the year was a net decrease of \$551,214.

LONG-TERM OBLIGATIONS

At the end of the fiscal year, the Authority had \$3,330,964 in long-term obligations. Compensated absences accounted for \$295,720 of the long-term obligations. Outstanding bonds and notes at June 30, 2020 were \$2,268,158. Total long-term obligations decreased by \$64,110 during fiscal year 2020 due to routine principal payments on the revenue bond and note payable.

Additional information on the Authority's long-term obligations can be found in Note 5 of this report.

CAPITAL ASSETS

The Authority's investment in capital assets as of June 30, 2020 amounted to \$4,789,933 (net of accumulated depreciation). Net investment in capital assets is calculated as capital assets (net of accumulated depreciation) less any related debt incurred for the purchase of those assets. Below is a comparative schedule of the amounts that comprise the capital assets as of June 30, 2020 and 2019:

Capital Assets		
Classification	2020	2019
Land and land rights	\$ 125,376	\$ 125,376
Buildings and improvements	9,835,636	9,835,636
Vehicles	292,188	292,188
Office equipment	523,384	523,384
Radio equipment	297,578	297,578
Furniture and fixtures	226,572	226,572
Subtotal	\$ 11,300,734	\$ 11,300,734
Less: Accumulated depreciation	(6,510,801)	(6,214,468)
Total	\$ <u>4,789,933</u>	\$ <u>5,086,266</u>

Additional information on the Authority's capital assets can be found in Note 4 of this report.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be directed to the Authority's Superintendent located at Southside Regional Jail, 244 Uriah Branch Way, Emporia, VA 23847.

- Basic Financial Statements -

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,028,050
Cash held for others - inmate, commissary and employees (Note 9)	266,884
Cash in custody of others	47,129
Accounts receivable	250
Prepaid expenses	8,540
Due from other governments (Note 3)	567,420
Total current assets	<u>\$ 1,918,273</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 125,376
Other capital assets, net of accumulated depreciation	4,664,557
Net capital assets (Note 4)	<u>\$ 4,789,933</u>
Total noncurrent assets	<u>\$ 4,789,933</u>
Total assets	<u><u>\$ 6,708,206</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	\$ 36,455
Pension related items	627,191
OPEB related items	297,243
Total deferred outflows of resources	<u>\$ 960,889</u>
Total assets and deferred outflows of resources	<u><u>\$ 7,669,095</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 12,884
Accrued interest payable	21,169
Amounts held for others (Note 9)	266,884
Compensated absences, current portion (Note 6)	29,572
Bonds and notes payable, current portion (Note 5)	503,356
Total current liabilities	<u>\$ 833,865</u>
Noncurrent liabilities:	
Compensated absences, noncurrent portion (Note 6)	\$ 266,148
Bonds and notes payable, noncurrent portion (Note 5)	1,764,802
Net pension liability (Note 7)	116,766
Net OPEB liabilities (Notes 11-13)	650,320
Total noncurrent liabilities	<u>\$ 2,798,036</u>
Total liabilities	<u>\$ 3,631,901</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 164,173
OPEB related items	31,822
Total deferred inflows of resources	<u>\$ 195,995</u>
NET POSITION	
Net investment in capital assets	\$ 2,558,230
Restricted for debt service	47,129
Unrestricted	1,235,840
Total net position	<u>\$ 3,841,199</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 7,669,095</u></u>

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

SOUTHSIDE REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Change in Net Position Year Ended June 30, 2020

Operating revenues:	
Purchase of services:	
City of Emporia, Virginia	\$ 1,255,974
County of Greensville, Virginia	837,316
Other Governments	510,314
Commonwealth of Virginia jail costs	383,806
Commonwealth of Virginia State Compensation Board	1,750,115
Other	174,086
	<hr/>
Total operating revenues	\$ 4,911,611
	<hr/>
Operating expenses:	
Salaries	\$ 2,053,485
Fringe benefits	869,808
Professional services	315,645
Repairs and maintenance	910,002
Advertising	241
Laundry	3,276
Fiscal services	30,000
Utilities	180,939
Communications	19,959
Insurance	29,241
Lease of equipment	7,872
Conventions and education	27,427
Dues and subscriptions	3,677
Supplies	481,658
Depreciation	296,333
	<hr/>
Total operating expenses	\$ 5,229,563
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Net operating income (loss)	\$ (317,952)
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Nonoperating revenues (expenses):	
Interest and investment earnings	\$ 290
Interest expense	(92,949)
	<hr/>
Net nonoperating revenues (expenses)	\$ (92,659)
	<hr/>
Change in net position	\$ (410,611)
	<hr/>
Net position, beginning of year	4,251,810
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Net position, end of year	\$ 3,841,199
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The accompanying notes to financial statements are an integral part of this statement.

SOUTHSIDE REGIONAL JAIL AUTHORITY

Statement of Cash Flows Year Ended June 30, 2020

Cash flows from operating activities:	
Receipts from customers and Commonwealth of Virginia State Compensation Board	\$ 4,804,804
Payments to suppliers	(1,936,366)
Payments to and on behalf of employees	<u>(2,858,299)</u>
Net cash flows provided by (used for) operating activities	\$ <u>10,139</u>
Cash flows from capital and related financing activities:	
Principal paid on capital debt	\$ (505,722)
Interest paid on capital debt	<u>(55,921)</u>
Net cash flows provided by (used for) capital and related financing activities	\$ <u>(561,643)</u>
Cash flows from investing activities:	
Interest and investment earnings	\$ <u>290</u>
Net increase (decrease) in cash and cash equivalents	\$ (551,214)
Cash and cash equivalents, beginning of year	<u>1,893,277</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,342,063</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (317,952)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	296,333
Changes in assets, deferred outflows/inflows of resources and liabilities:	
(Increase) / decrease in due from other governments	(112,028)
(Increase) / decrease in accounts receivable	5,221
(Increase) / decrease in deferred outflows - pension related	(331,935)
(Increase) / decrease in deferred outflows - OPEB related	(265,964)
Increase / (decrease) in net pension liability/(asset)	474,126
Increase / (decrease) in compensated absences	41,672
Increase / (decrease) in deferred inflows - pension related	(144,527)
Increase / (decrease) in deferred inflows - OPEB related	8,448
Increase / (decrease) in net OPEB liabilities	283,174
Increase / (decrease) in amounts held for others	85,673
Increase / (decrease) in accounts payable	<u>(12,102)</u>
Cash flows (used for) operating activities	\$ <u><u>10,139</u></u>

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

SOUTHSIDE REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Southside Regional Jail Authority was established pursuant to the *Code of Virginia* (1950), as amended, and resolutions of the participating localities of the County of Greenville and the City of Emporia, Virginia in May 1995. The Authority is considered a jointly governed organization of the above localities because each locality is represented on the Board. However, the localities do not retain an ongoing financial interest or responsibility. The purpose of the Authority is to acquire, construct, equip, finance, operate and maintain the regional jail for the benefit of the member jurisdictions.

A. Management's Discussion and Analysis and Enterprise Fund Financial Statements

Management's Discussion and Analysis:

Accounting standards require the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Enterprise Fund Financial Statement:

Statement of Net Position: The Statement of Net Position is designed to display the financial position of the Authority. Governments will report all capital assets in the Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Revenues, Expenses, and Changes in Net Position. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

B. Basis of Accounting

Southside Regional Jail Authority operates as an enterprise activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash.

C. Budgets and Budgetary Accounting

The Authority adopts an annual budget for informative and fiscal planning purposes only. The budget is not intended to be a legal control on expenses. Budgets are adopted on the accrual basis of accounting except that contributed capital, depreciation and amortization are not budgeted.

D. Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses are defined as those items that result from providing services and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Nonoperating revenues are defined as grants, investments, and other income. Nonoperating expenses are defined as capital and noncapital related financing and other expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

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

E. Capital Assets

Property, plant and equipment are recorded at historical cost. Donated assets are recorded at their acquisition value on the date donated. Depreciation is computed using the straight-line method over the assets' estimated useful lives as follows:

Buildings and structures	40 years
Vehicles	5 years
Equipment	5 to 20 years
Furniture and fixtures	5 to 10 years

Depreciation applicable to operating facilities constructed with contributions is amortized by the straight-line method at rates sufficient to amortize the contributions over the estimated useful lives of the related plant. Maintenance and repairs are charged to expense as incurred; material renewals and betterments are capitalized. When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

F. Interest Expense

Interest expense applicable to that portion of indebtedness which is used to construct new facilities is capitalized during the period of construction as part of the cost of such facilities. Other interest costs of the Authority are treated as nonoperating expenses.

G. Cash and Cash Equivalents

Cash and cash equivalents 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 government. For purposes of the statement of cash flows, the Authority considers their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

H. Fiscal Agent

The Treasurer of County of Greenville, Virginia is the fiscal agent for Southside Regional Jail Authority.

I. 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.

J. Use of Estimates

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

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

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

K. Prepaid Expenses

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements. The cost of prepaid expenses is recorded as expenses when consumed rather than when purchased.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and/or 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. The Authority has one type of item that qualifies for reporting in this category. 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.

M. Net Position

For the Authority, 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.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

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

M. 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 government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

N. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

O. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and HIC 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.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 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.

The Authority has no formal deposit and investment policy.

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities:

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

<u>Authority's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Money market - U.S. Treasury Obligations	\$ 47,127
Total	<u>\$ 47,127</u>

Interest Rate Risk:

The Authority reports the following investment maturities:

<u>Investment Type</u>	<u>Investment Maturity*</u>	
	<u>Fair Value</u>	<u>Less than 1</u>
Money market - U.S. Treasury Obligations	\$ 47,127	\$ 47,127
Total investments	<u>\$ 47,127</u>	<u>\$ 47,127</u>

* Weighted average maturity in years.

Fair Value Measurements:

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Significant observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

The Authority reports the following investments:

	Total June 30, 2020	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market - U.S. Treasury Obligations	\$ 47,127	\$ 47,127	\$ -	\$ -
Total	\$ 47,127	\$ 47,127	\$ -	\$ -

NOTE 3 - DUE FROM OTHER GOVERNMENTS:

Commonwealth of Virginia:	
Compensation Board	\$ 163,493
Jail Bed Days	175,036
Local Governments and other political subdivisions	228,891
Total	\$ 567,420

NOTE 4 - CAPITAL ASSETS:

A summary of additions and deletions to the Authority's capital assets for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land and land rights	\$ 125,376	\$ -	\$ -	\$ 125,376
Total capital assets not being depreciated	\$ 125,376	\$ -	\$ -	\$ 125,376
Capital assets, being depreciated:				
Buildings and improvements	\$ 9,835,636	\$ -	\$ -	\$ 9,835,636
Vehicles	292,188	-	-	292,188
Office equipment	523,384	-	-	523,384
Radio equipment	297,578	-	-	297,578
Furniture and fixtures	226,572	-	-	226,572
Total capital assets being depreciated	\$ 11,175,358	\$ -	\$ -	\$ 11,175,358
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (5,004,811)	\$ (262,034)	\$ -	\$ (5,266,845)
Vehicles	(236,082)	(23,774)	-	(259,856)
Office equipment	(495,252)	(5,115)	-	(500,367)
Radio equipment	(297,578)	-	-	(297,578)
Furniture and fixtures	(180,745)	(5,410)	-	(186,155)
Total accumulated depreciation	\$ (6,214,468)	\$ (296,333)	\$ -	\$ (6,510,801)
Total capital assets being depreciated, net	\$ 4,960,890	\$ (296,333)	\$ -	\$ 4,664,557
Capital assets, net of accumulated depreciation	\$ 5,086,266	\$ (296,333)	\$ -	\$ 4,789,933

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 5 - LONG-TERM OBLIGATIONS:

A. Changes in Long-term Obligations:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct borrowings and placements:					
Revenue bonds payable	\$ 2,745,781	\$ -	\$ (496,674)	\$ 2,249,107	\$ 493,994
Note payable	28,099	-	(9,048)	19,051	9,362
Other Liabilities:					
Compensated absences	254,048	67,077	(25,405)	295,720	29,572
Net pension liability	-	1,332,045	(1,215,279)	116,766	-
Net OPEB liabilities	367,146	379,602	(96,428)	650,320	-
Total	<u>\$ 3,395,074</u>	<u>\$ 1,778,724</u>	<u>\$ (1,842,834)</u>	<u>\$ 3,330,964</u>	<u>\$ 532,928</u>

B. Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Direct borrowings and placements:		
Revenue bonds:		
Regional Jail Facility Revenue Refunding Bonds, Series 2012 - On September 19, 2012, the Authority issued \$4,569,600 in Revenue Refunding Bonds with a fixed interest rate of 1.96% to advance refund \$6,335,900 of outstanding 2005 Series bonds with an interest rate of 4.08%. The net proceeds of \$4,498,054 (after payment of \$71,546 in underwriting and other issue costs) plus an additional \$174,708 of Debt Service Reserve and Bond Funds were transferred to the escrow agent. The bond resolution provides a redemption schedule with principal due annually through June 1, 2023. The bonds bear interest at an annual rate of 1.96%.	\$ 1,384,400	\$ 452,500
Regional Jail Facility Revenue Bonds, Series 2019 - On May 2, 2019, the Authority issued \$917,481 in Revenue Bonds with a fixed interest rate of 3.28% to finance various energy conservation measures. Annual principal and interest payments ranging from \$22,563 - \$94,001 are due each November 1, through 2033. If Borrower shall fail to perform any of its obligations under this Article, Purchaser may take such action to cure such failure, including the advancement of money, and Borrower shall be obligated to repay all such advances on demand, with interest at the Default Rate from the date of the advance to the date of repayment.	864,707	41,494
Note payable:		
On October 10, 2018, the Authority issued a \$28,099 note payable with a fixed interest rate of 3.44% to finance a vehicle. Annual principal and interest payments of \$10,028 are due each October 1, through 2022.	19,051	9,362
Other Liabilities:		
Compensated absences	295,720	29,572
Net pension liability	116,766	-
Net OPEB liabilities	650,320	-
Total	<u>\$ 3,330,964</u>	<u>\$ 532,928</u>

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 5 - LONG-TERM OBLIGATIONS: (CONTINUED)

C. Annual Amortization on Long-term Obligation:

The annual requirements to amortize long-term debt outstanding as of June 30, 2020 are as follows:

Year Ending June 30,	Direct Borrowings and Placements			
	Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2021	\$ 493,994	\$ 55,497	\$ 9,362	\$ 666
2022	506,350	45,267	9,689	338
2023	519,083	34,749	-	-
2024	52,399	23,934	-	-
2025	56,408	22,215	-	-
2026	60,617	20,365	-	-
2027	65,035	18,376	-	-
2028	69,671	16,243	-	-
2029	74,533	13,958	-	-
2030	74,511	11,513	-	-
2031	79,536	9,069	-	-
2032	84,802	6,461	-	-
2033	90,322	3,679	-	-
2034	21,846	717	-	-
Total	\$ 2,249,107	\$ 282,043	\$ 19,051	\$ 1,004

NOTE 6 - COMPENSATED ABSENCES:

Authority employees earn vacation leave based on years of service. Sick leave is earned at a rate of eight hours per 28-day schedule for 8-hour shift employees and 12 hours per 28-day schedule for 12-hour shift employees. Accumulated unpaid vacation amounts are accrued when incurred. Sick leave is paid out only upon retirement or death, capped at \$2,500 or \$5,000 depending on years of service, and is not accrued. Comp time is paid as accrued. At June 30, 2020, the liability for accrued vacation was \$295,720.

NOTE 7 - 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 Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (CONTINUED)

Benefit Structures

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

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

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.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (CONTINUED)

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

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

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	27
Inactive members:	
Vested inactive members	5
Non-vested inactive members	11
Inactive members active elsewhere in VRS	25
Total inactive members	<u>41</u>
Active members	<u>41</u>
Total covered employees	<u><u>109</u></u>

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2020 was 15.79% 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 \$303,948 and \$284,626 for the years ended June 30, 2020 and June 30, 2019, respectively.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (CONTINUED)

Net Pension Liability (Asset)

The net pension liability (asset) (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 (asset) was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions - General Employees

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

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment 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 pension liabilities.

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.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

Mortality rates: (Continued)

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

All Others (Non-10 Largest) - 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.

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*

* 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.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (CONTINUED)

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

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%

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (CONTINUED)

Discount Rate

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 6,911,894	\$ 7,269,254	\$ (357,360)
Changes for the year:			
Service cost	\$ 378,240	\$ -	\$ 378,240
Interest	469,342	-	469,342
Changes of assumptions	249,440	-	249,440
Differences between expected and actual experience	229,960	-	229,960
Contributions - employer	-	284,495	(284,495)
Contributions - employee	-	89,854	(89,854)
Net investment income	-	483,570	(483,570)
Benefit payments, including refunds of employee contributions	(414,006)	(414,006)	-
Administrative expenses	-	(4,755)	4,755
Other changes	-	(308)	308
Net changes	\$ 912,976	\$ 438,850	\$ 474,126
Balances at June 30, 2019	\$ 7,824,870	\$ 7,708,104	\$ 116,766

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (CONTINUED)

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

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

	Rate		
	(5.75%)	(6.75%)	(7.75%)
Net Pension Liability (Asset)	\$ 1,221,302	\$ 116,766	\$ (755,458)

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 \$301,481. 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	\$ 155,054	\$ 80,803
Change of assumptions	168,189	14,537
Net difference between projected and actual earnings on pension plan investments	-	68,833
Employer contributions subsequent to the measurement date	303,948	-
Total	\$ 627,191	\$ 164,173

\$303,948 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	\$ 64,363
2022	80,911
2023	9,055
2024	4,741
2025	-
Thereafter	-

Pension Plan Data

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

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 8 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in Virginia to form the Virginia Association of Counties Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Authority pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Authority continues to carry commercial insurance for all other risks of loss, including employee dishonesty and surety bond insurance coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - AMOUNTS HELD FOR OTHERS:

Amounts held for inmates or benefit of inmates in the Commissary and Inmate accounts and amounts held for employee recognition are reported as current liabilities as follows at June 30, 2020:

Amount held in inmate account	\$ 49,081
Amount held in commissary account	217,408
Amount held in employee recognition account	395
Total	<u>\$ 266,884</u>

NOTE 10 - SUMMARY OF SPECIAL ACCOUNTS:

A summary of activity from the special accounts at the Authority are shown below.

	Receipts	Disburse- ments	Excess of Revenues over (under) Expenditures
Inmate Account	\$ 601,613	\$ 586,229	\$ 15,384
Inmate Commissary Account	228,361	158,010	70,351
Work Release	60,126	60,126	-
Inmate Medical Co-Payment	10,132	10,132	-
Total	<u>\$ 900,232</u>	<u>\$ 814,497</u>	<u>\$ 85,735</u>

NOTE 11 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS 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.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 11 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Plan Description: (Continued)

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 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, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$10,025 and \$9,387 for the years ended June 30, 2020 and June 30, 2019, respectively.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 11 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

At June 30, 2020, the entity reported a liability of \$149,871 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 .00921% as compared to .00985% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$411. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,967	\$ 1,945
Net difference between projected and actual earnings on GLI OPEB plan investments	-	3,078
Change of assumptions	9,462	4,519
Changes in proportion	-	14,082
Employer contributions subsequent to the measurement date	<u>10,025</u>	<u>-</u>
Total	<u>\$ 29,454</u>	<u>\$ 23,624</u>

\$10,025 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ (2,522)
2022	(2,522)
2023	(1,218)
2024	467
2025	1,272
Thereafter	328

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 11 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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%

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 11 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the 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 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)	\$	<u>1,627,266</u>
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.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 11 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

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.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 11 - 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	\$ 196,889	\$ 149,871	\$ 111,741

GLI Plan Fiduciary Net Position

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

NOTE 12 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 12 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	8
Active members	41
Total covered employees	<u>49</u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Authority's contractually required employer contribution rate for the year ended June 30, 2020 was .34% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 HIC Plan were \$6,555 and \$6,137 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net HIC OPEB Liability

The Authority's net HIC OPEB liability was measured as of June 30, 2019. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 12 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total HIC 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.

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

The actuarial assumptions used in the June 30, 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%

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 12 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	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%

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 12 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability 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 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 HIC 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 HIC 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 HIC OPEB liability.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 12 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 78,731	\$ 45,185	\$ 33,546
Changes for the year:			
Service cost	\$ 3,867	\$ -	\$ 3,867
Interest	5,282	-	5,282
Differences between expected and actual experience	(7,783)	-	(7,783)
Assumption changes	2,000	-	2,000
Contributions - employer	-	6,137	(6,137)
Net investment income	-	2,893	(2,893)
Benefit payments	(6,546)	(6,546)	-
Administrative expenses	-	(64)	64
Other changes	-	(3)	3
Net changes	\$ (3,180)	\$ 2,417	\$ (5,597)
Balances at June 30, 2019	\$ 75,551	\$ 47,602	\$ 27,949

Sensitivity of the Authority's HIC Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's Net HIC OPEB Liability	\$ 36,869	\$ 27,949	\$ 20,425

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 12 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2020, the Authority recognized HIC Plan OPEB expense of \$5,885. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Authority's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,030	\$ 6,630
Net difference between projected and actual earnings on HIC OPEB plan investments	-	541
Change in assumptions	1,704	1,027
Employer contributions subsequent to the measurement date	6,555	-
Total	<u>\$ 14,289</u>	<u>\$ 8,198</u>

\$6,555 reported as deferred outflows of resources related to the HIC OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC 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 HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2021	\$ (185)
2022	(185)
2022	164
2023	177
2024	206
Thereafter	(641)

HIC Plan Plan Data

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

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 13 - DISABILITY- PAY-AS-YOU-GO (OPEB PLAN):

Plan Description

In addition to the OPEB benefits described in Notes 11 and 12, the Authority administers a single-employer defined benefit healthcare plan, The Southside Regional Jail Authority OPEB Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Authority's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits that are provided to eligible retirees include medical and disability coverage. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Authority who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. In addition, the Authority provides a fixed basic death benefit for all retirees.

Plan Membership

At July 1, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	40
Total retirees with coverage	<u>8</u>
Total	<u><u>48</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Authority Board. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2020 was \$32,100.

Total OPEB Liability

The Authority's total OPEB liability was measured as of July 1, 2019. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.50%
Discount Rate	3.13%

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 13 - DISABILITY - PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Healthcare cost trend rates are at 5.50% for fiscal year 2020, then settle at 5.00% for fiscal year 2021 and years going forward.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate has been set equal to 3.13% and represents the Municipal GO AA 20-year yield curve rate as of the measurement date.

Changes in Total OPEB Liability

Balances at July 1, 2019	\$	<u>183,600</u>
Changes for the year:		
Service cost	\$	13,100
Interest		6,500
Difference between expected and actual experience		285,800
Contributions - employer		(32,100)
Other changes		<u>15,600</u>
Net changes	\$	<u>288,900</u>
Balances at June 30, 2020	\$	<u><u>472,500</u></u>

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

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

Rate		
<u>1% Decrease (2.13%)</u>	<u>Current Discount Rate (3.13%)</u>	<u>1% Increase (4.13%)</u>
\$ 507,300	\$ 472,500	\$ 441,000

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 13 - DISABILITY - PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

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

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.50% decreasing by 0.50% annually to an ultimate rate of 4%) or one percentage point higher (6.50% decreasing by 0.50% annually to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.50% decreasing to 4.00%)	Healthcare Cost Trend (5.50% decreasing to 5.00%)	1% Increase (6.50% decreasing to 6.00%)
\$ 439,700	\$ 472,500	\$ 509,100

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

For the year ended June 30, 2020, the Authority recognized OPEB expense in the amount of \$74,800. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 239,200	\$ -
Changes in assumptions	14,300	-
Total	<u>\$ 253,500</u>	<u>\$ -</u>

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

Year Ended June 30	
2021	\$ 49,400
2022	49,400
2023	49,400
2024	49,400
2025	49,100
Thereafter	6,800

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

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 14 - AGGREGATE OPEB INFORMATION:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Plan (Note 11)	\$ 29,454	\$ 23,624	\$ 149,871	\$ 411
Health Insurance Credit Plan (Note 12)	14,289	8,198	27,949	5,885
Stand-Alone Plan (Note 13)	253,500	-	472,500	74,800
Totals	<u>\$ 297,243</u>	<u>\$ 31,822</u>	<u>\$ 650,320</u>	<u>\$ 81,096</u>

NOTE 15 - COMMITMENTS AND CONTINGENCIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 16 - 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.

NOTE 17 - UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

NOTE 17 - UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management is currently evaluating the relevance of these standards to the Authority and the impact they will have on the financial statements if adopted.

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

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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

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

- Required Supplementary Information -

SOUTHSIDE REGIONAL JAIL AUTHORITY

Schedule of Changes in Net Pension Liability (Asset) 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	\$ 378,240	\$ 393,882	\$ 406,777	\$ 401,308	\$ 333,255	\$ 352,821
Interest	469,342	444,453	427,598	382,028	372,675	335,632
Differences between expected and actual experience	229,960	(93,325)	(242,863)	42,847	(406,438)	-
Changes of assumptions	249,440	-	(82,682)	-	-	-
Benefit payments, including refunds of employee contributions	(414,006)	(364,903)	(171,164)	(179,213)	(152,536)	(166,012)
Net change in total pension liability	\$ 912,976	\$ 380,107	\$ 337,666	\$ 646,970	\$ 146,956	\$ 522,441
Total pension liability - beginning	6,911,894	6,531,787	6,194,121	5,547,151	5,400,195	4,877,754
Total pension liability - ending (a)	\$ 7,824,870	\$ 6,911,894	\$ 6,531,787	\$ 6,194,121	\$ 5,547,151	\$ 5,400,195
Plan fiduciary net position						
Contributions - employer	\$ 284,495	\$ 287,620	\$ 282,818	\$ 283,947	\$ 286,673	\$ 322,039
Contributions - employee	89,854	93,627	92,063	91,707	95,962	94,408
Net investment income	483,570	506,109	729,019	104,553	240,218	678,760
Benefit payments, including refunds of employee contributions	(414,006)	(364,903)	(171,164)	(179,213)	(152,536)	(166,012)
Administrative expense	(4,755)	(4,312)	(3,936)	(3,316)	(3,011)	(3,390)
Other	(308)	(588)	(829)	(43)	(50)	36
Net change in plan fiduciary net position	\$ 438,850	\$ 517,553	\$ 927,971	\$ 297,635	\$ 467,256	\$ 925,841
Plan fiduciary net position - beginning	7,269,254	6,751,701	5,823,730	5,526,095	5,058,839	4,132,998
Plan fiduciary net position - ending (b)	\$ 7,708,104	\$ 7,269,254	\$ 6,751,701	\$ 5,823,730	\$ 5,526,095	\$ 5,058,839
Authority's net pension liability (asset) - ending (a) - (b)	\$ 116,766	\$ (357,360)	\$ (219,914)	\$ 370,391	\$ 21,056	\$ 341,356
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.51%	105.17%	103.37%	94.02%	99.62%	93.68%
Covered payroll	\$ 1,805,126	\$ 1,872,518	\$ 1,841,269	\$ 1,834,142	\$ 1,851,560	\$ 1,851,114
Authority's net pension liability (asset) as a percentage of covered payroll	6.47%	-19.08%	-11.94%	20.19%	1.14%	18.44%

This schedule is intended to show information for 10 years. However, information prior to the 2014 valuation is not available. Additional years will be included as they become available.

SOUTHSIDE REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions - Pension Plan
Years Ended June 30, 2011 through June 30, 2020

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2020	\$ 303,948	\$ 303,948	\$ -	\$ 1,928,053	15.76%
2019	284,626	284,626	-	1,805,126	15.77%
2018	287,620	287,620	-	1,872,518	15.36%
2017	282,819	282,819	-	1,841,269	15.36%
2016	284,109	284,109	-	1,834,142	15.49%
2015	286,807	286,807	-	1,851,560	15.49%
2014	319,873	319,873	-	1,851,114	17.28%
2013	321,391	321,391	-	1,859,900	17.28%
2012	260,020	260,020	-	1,783,404	14.58%
2011	260,646	260,646	-	1,787,697	14.58%

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

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

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

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

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

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
2019	0.00921% \$	149,871 \$	1,805,126	8.30%	52.00%
2018	0.00985%	150,000	1,872,518	8.01%	51.22%
2017	0.01013%	152,000	1,841,269	8.26%	48.86%

This schedule is intended to show information for 10 years. However, information prior to the 2017 valuation is not available. Additional years will be included as they become available.

SOUTHSIDE REGIONAL JAIL AUTHORITY

**Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
Years Ended June 30, 2011 through June 30, 2020**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 10,025	\$ 10,025	\$ -	\$ 1,928,053	0.52%
2019	9,387	9,387	-	1,805,126	0.52%
2018	9,737	9,737	-	1,872,518	0.52%
2017	9,718	9,718	-	1,841,269	0.53%
2016	9,056	9,056	-	1,834,142	0.49%
2015	8,887	8,887	-	1,851,560	0.48%
2014	8,938	8,938	-	1,851,114	0.48%
2013	8,928	8,928	-	1,859,900	0.48%
2012	4,994	4,994	-	1,783,404	0.28%
2011	5,006	5,006	-	1,787,697	0.28%

SOUTHSIDE REGIONAL JAIL AUTHORITY

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

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

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

SOUTHSIDE REGIONAL JAIL AUTHORITY

Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

	2019	2018	2017
Total HIC OPEB Liability			
Service cost	\$ 3,867	\$ 3,811	\$ 3,690
Interest	5,282	4,518	4,373
Differences between expected and actual experience	(7,783)	8,480	-
Changes of assumptions	2,000	-	(1,747)
Benefit payments	(6,546)	(5,231)	(3,247)
Net change in total HIC OPEB liability	\$ (3,180)	\$ 11,578	\$ 3,069
Total HIC OPEB Liability - beginning	78,731	67,153	64,084
Total HIC OPEB Liability - ending (a)	<u>\$ 75,551</u>	<u>\$ 78,731</u>	<u>\$ 67,153</u>
Plan fiduciary net position			
Contributions - employer	\$ 6,137	\$ 4,682	\$ 4,603
Net investment income	2,893	3,054	4,392
Benefit payments	(6,546)	(5,231)	(3,247)
Administrative expense	(64)	(72)	(74)
Other	(3)	(217)	217
Net change in plan fiduciary net position	\$ 2,417	\$ 2,216	\$ 5,891
Plan fiduciary net position - beginning	45,185	42,969	37,078
Plan fiduciary net position - ending (b)	<u>\$ 47,602</u>	<u>\$ 45,185</u>	<u>\$ 42,969</u>
Authority's net HIC OPEB liability - ending (a) - (b)	\$ 27,949	\$ 33,546	\$ 24,184
Plan fiduciary net position as a percentage of the total HIC OPEB liability	63.01%	57.39%	63.99%
Covered payroll	\$ 1,805,126	\$ 1,872,518	\$ 1,841,269
Authority's net HIC OPEB liability as a percentage of covered payroll	1.55%	1.79%	1.31%

This schedule is intended to show information for 10 years. However, information prior to the 2017 valuation is not available. Additional years will be included as they become available.

SOUTHSIDE REGIONAL JAIL AUTHORITY

**Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
Years Ended June 30, 2011 through June 30, 2020**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 6,555	\$ 6,555	\$ -	\$ 1,928,053	0.34%
2019	6,137	6,137	-	1,805,126	0.34%
2018	4,681	4,681	-	1,872,518	0.25%
2017	4,603	4,603	-	1,841,269	0.25%
2016	3,852	3,852	-	1,834,142	0.21%
2015	3,888	3,888	-	1,851,560	0.21%
2014	4,443	4,443	-	1,851,114	0.24%
2013	4,464	4,464	-	1,859,900	0.24%
2012	3,567	3,567	-	1,783,404	0.20%
2011	3,575	3,575	-	1,787,697	0.20%

SOUTHSIDE REGIONAL JAIL AUTHORITY

**Notes to Required Supplementary Information
Health Insurance Credit (HIC) 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%

SOUTHSIDE REGIONAL JAIL AUTHORITY

Schedule of Changes in Total OPEB Liability and Related Ratios - Health Insurance
For the Years Ended June 30, 2018 through June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 13,100	\$ 13,100	\$ 12,800
Interest	6,500	6,400	6,000
Changes in assumptions	-	1,800	-
Differences between expected and actual experience	285,800	100	-
Benefit payments	(32,100)	(9,100)	(8,700)
Other changes	15,600	-	-
Net change in total OPEB liability	\$ 288,900	\$ 12,300	\$ 10,100
Total OPEB liability - beginning	183,600	171,300	161,200
Total OPEB liability - ending	<u>\$ 472,500</u>	<u>\$ 183,600</u>	<u>\$ 171,300</u>
 Covered-employee payroll	 \$ 1,800,000	 \$ 1,890,000	 \$ 1,890,000
 Authority's total OPEB liability as a percentage of covered-employee payroll	 26.25%	 9.71%	 9.06%

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

SOUTHSIDE REGIONAL JAIL AUTHORITY

**Notes to Required Supplementary Information - Health Insurance
For the Year Ended June 30, 2020**

Valuation Date: 7/1/2019
Measurement Date: 7/1/2019

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	3.13%
Healthcare Trend Rate	5.50% for FY2020, decreasing .50% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50%
Retirement Age	Age 65 with 5 years of service or age 50 with 30 years of service
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019

- Compliance -



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 Honorable Members of
Southside Regional Jail Authority
Emporia, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Southside Regional Jail Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Southside Regional Jail Authority's basic financial statements and have issued our report thereon dated December 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southside 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southside Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Southside 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 Southside 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 Southside Regional Jail Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southside Regional Jail Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Robinson, Farmer, Cox Associates". The script is cursive and fluid.

Charlottesville, Virginia
December 14, 2020