

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY



FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2019

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
 FINANCIAL REPORT
 Fiscal Year Ended June 30, 2019

TABLE OF CONTENTS

INTRODUCTORY SECTION	<u>Exhibit</u>	<u>Page</u>
Letter Transmittal		i-v
Organizational Chart		vi
Directory of Officials		vii

FINANCIAL SECTION

Independent Auditors' Report		1-2
Management's Discussion and Analysis		viii-xiv

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position	1	3
Statement of Activities	2	4

Fund Financial Statements:

Balance Sheet – Governmental Funds	3	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	6
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	5	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities		
Statement of Fiduciary Net Position – Fiduciary Fund	7	9
Notes to the Financial Statements	10 -	47

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual:

General Fund	8	48
Schedule of Changes in Net Pension Asset and Related Ratios	9	49
Schedule of Employer Contributions – Pension	10	50
Notes to Required Supplementary Information – Pension	11	51
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios- Health Insurance Plan	12	52
Notes to Required Supplementary Information – Health Insurance Plan	13	53
Schedule of Authority's Share of Net OPEB Liability – Group Life Insurance Program	14	54
Schedule of Employer Contribution – Group Life Insurance Program	15	55
Notes to Required Supplementary Information – Group Life Insurance Program	16	56

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

	<u>Page</u>
Compliance:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58

New River Valley Regional Jail

Serving the City of Radford and the Counties of

Bland, Carroll, Giles, Grayson, Floyd, Pulaski, Radford, and Wythe

Gregory P. Winston
Superintendent

Lt. Colonel John Bowman
Deputy Superintendent



Cpt. Tommy Bobbitt
Services Asst. Division Commander

Major Marty Stallard
Security Division Commander

November 04, 2019

Members of the Board
New River Valley Regional Jail Authority:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the New River Valley Regional Jail Authority (Jail Authority) for the fiscal year ended June 30, 2019. The report was prepared by the Superintendent and Director of Finance, who assume full responsibility for the accuracy of information, and the completeness and fairness of preparation. We believe the financial information, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations as measured by the financial activity of the Jail Authority.

GASB requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis (MD&A)*. The letter of transmittal is designed to complement the MD&A and should be read in conjunction with the *Management's Discussion and Analysis*, which can be found in the Financial Section of the CAFR.

Profile of the Government

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

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

The Authority's two main sources of revenue are from the eight jurisdictions and the Commonwealth of Virginia. Additionally, other sources of revenue include profits from inmate telephone services, as well as contract prisoner holds for other jurisdictions and cost recovery for prisoner services. The Jails largest expense is personnel and benefits, with debt service, medical and food service expenditures and energy costs having a significant impact on the total expenditures.

ECONOMIC CONDITIONS

The financial condition of the Jail Authority is primarily dependent upon the inmate population at the facility. The overall inmate population is indirectly related to the populations and crime burden of the counties of Bland, Carroll, Giles, Grayson, Floyd, Pulaski, Wythe and the City of Radford.

Within the approved FY'19 budget, the member jurisdictions took advantage of investing the debt service reserve in a fixed rate product. As part of the bond offering to construct the facility, the Authority was required to borrow one year's debt service payments and set it aside to be used only in a case of emergency. This investment's gross annual earnings are \$92,000.

Looking ahead into FY'21, the member jurisdictions will need to plan accordingly for increases in operational expenditures anticipated for Inmate Mental Health Care and Inmate Health Services. The implementation of the capital projects for security system and relevant aging system replacement, roof replacement, kitchen floor replacement, and energy performance contract will be a significant draw down on the Authority's reserves. While utility expenditures for FY'19 exceeded budget, the Jail Authority has entered into a completely self-fund project. The Energy Performance contract can guarantee a 5.72 million in savings over a 15-year term. The Project includes \$690,000 additional capital improvements paid for from guaranteed savings. After construction and commissioning of the energy saving capital projects, subsequent fiscal years' energy expenditures should significantly drop. Our member jurisdictions continue to be in full support of maintaining capital reserves by investing a significant portion of any profits into capital project and preventative maintenance. These actions have ensured a sound fiscal future for our capital replacement needs.

Looking back at FY'18, staff turnover was at 33%. This high turnover contributed to a little over a half million dollars variance between budget and actual in the salary/benefits budget while the overtime expenditure was over budget due to the short staffing. Our approach for FY'20 is to assume the high turnover and high overtime expense will continue and the first quarter of FY'20 continues to reflect high turnover percentages.

Our local inmate average daily inmate population was 907 for FY 16/17. Our average daily inmate population for FY 17/18 was 865; a 4.63% decrease. By comparison, our September 30, 2017, average daily inmate population was 915 and the average daily inmate population for September 30, 2018 was 875; a 4.37% decrease. Although the average daily inmate population has declined, operational expenditures that are not related proportionally to population, such as utility services and inmate health services, remain at an all-time high.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

Over the past year, many accomplishments were realized within the Jail Authority. The Jail received 100% compliance by the Board of Corrections. Certification inspections are conducted every three years and unannounced Life, Health and Safety (LHS) inspections are conducted annually.

The Jail Authority participated for the first time in the Master Jail Officer (MJO) Program. The MJO Program is a career development program for entry level sworn staff. The officers must meet the minimum criteria to become an MJO which includes the selection process, minimum length of service, job performance, attendance, vehicle safety, firearms proficiency, formal education and any other criteria deemed relevant by the Compensation Board. The Jail Authority currently has 25 Master Jail Officers participating the program.

To date, five supervisors have successfully completed in the Virginia Association of Regional Jails Leadership Initiative (VARJLI).

Once again, the staff of the Jail Authority continues to give back to the community. Over the course of the past year, the charitable and community-based outreach activities have continued to make the facility shine amongst the citizens of our member jurisdictions. The Authority participated in a number of events; Curtis Bartlett 5k Memorial, Red Ribbon Week for Substance Abuse Awareness, Family Night, Night Out, Special Olympics Battle of the Badges, No Shave Campaign, a reading program of children with incarcerated parents, and a food drive to benefit the Dublin Elementary School Backpack Program.

Also, in connection with Radford University, we have conducted two "Inside Out" programs. In this program a professor teaches criminology theory to students alongside inmates at the NRVRJ. Here, inmates engage with the students from Radford as well as read course materials, submit academic assignments and participate in a capstone project with their college student peers.

The New River Valley Regional Jail reaches beyond the concrete and steel walls of the facility and maintains an educational and leadership program for school children in our communities. This "Life Choices Initiative Program" affects positive change and promotes pro-social behaviors for our future generations.

ACCOUNTING SYSTEM

The Jail Authority's management is responsible for establishing and maintaining internal controls sufficient to ensure safeguarding of assets. In developing and evaluating the Jail Authority's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets.

concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and the benefits requires estimates and judgments by management. All internal controls' evaluations occur within the above framework. We believe that the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In addition to the internal controls described above, budgetary controls are also established to ensure compliance with annual operating budgets approved by the Jail Authority Board. Monthly reports containing comparisons between actual and budget and current and prior year amounts are prepared and presented to the Jail Authority management and the Board.

The accounting system of the Authority is organized and operated on a governmental fund basis. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

INVESTMENT MANAGEMENT

The Director of Finance under the direction of the Superintendent is responsible for investing the Jail Authority's funds. Investment income earned for the fiscal year for the Jail Authority's operating funds was \$74,200 representing an increase of \$31,832 from fiscal year 2018.

INDEPENDENT AUDIT

The Certified Public Accounting firm of Robinson, Farmer, Cox Associates, PLLC audited the Jail Authority's June 30, 2018 financial statements. Their opinion on the financial statements is presented in the financial section of this report.

AWARDS

During the past calendar year, Superintendent, Gregory P. Winston and Officers Wright and Trueheart of the NRVJR has worked alongside the New River Health district to provide an important and groundbreaking program to benefit the prisoners and the public health. As a result of this work, the American Public Health Association selected the New River Health District to present their work during the annual conference in Philadelphia.

1. "Provision of on-site family planning services to incarcerated women: Preliminary results from an evaluation of the Empowered Options program"
2. "Eligibility for emergency contraception among women newly incarcerated at New River Valley Regional Jail"

In January 2019, the Jail Authority started enrolling inmates into the Medicaid expansion program in an effort to off-set medical costs and the inmates transition back into society. To date 154 inmates have been either signed up or switched to active incarcerated coverage. Also, in an effort to collect debt, the jail currently participates in the State of Virginia Debt-Set-Off Program with positive results.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the efficient and dedicated efforts of the employees of the Jail Authority.

Further appreciation is extended to each member of the Jail Authority for their continued interest, dedication, and support.

Respectfully submitted,

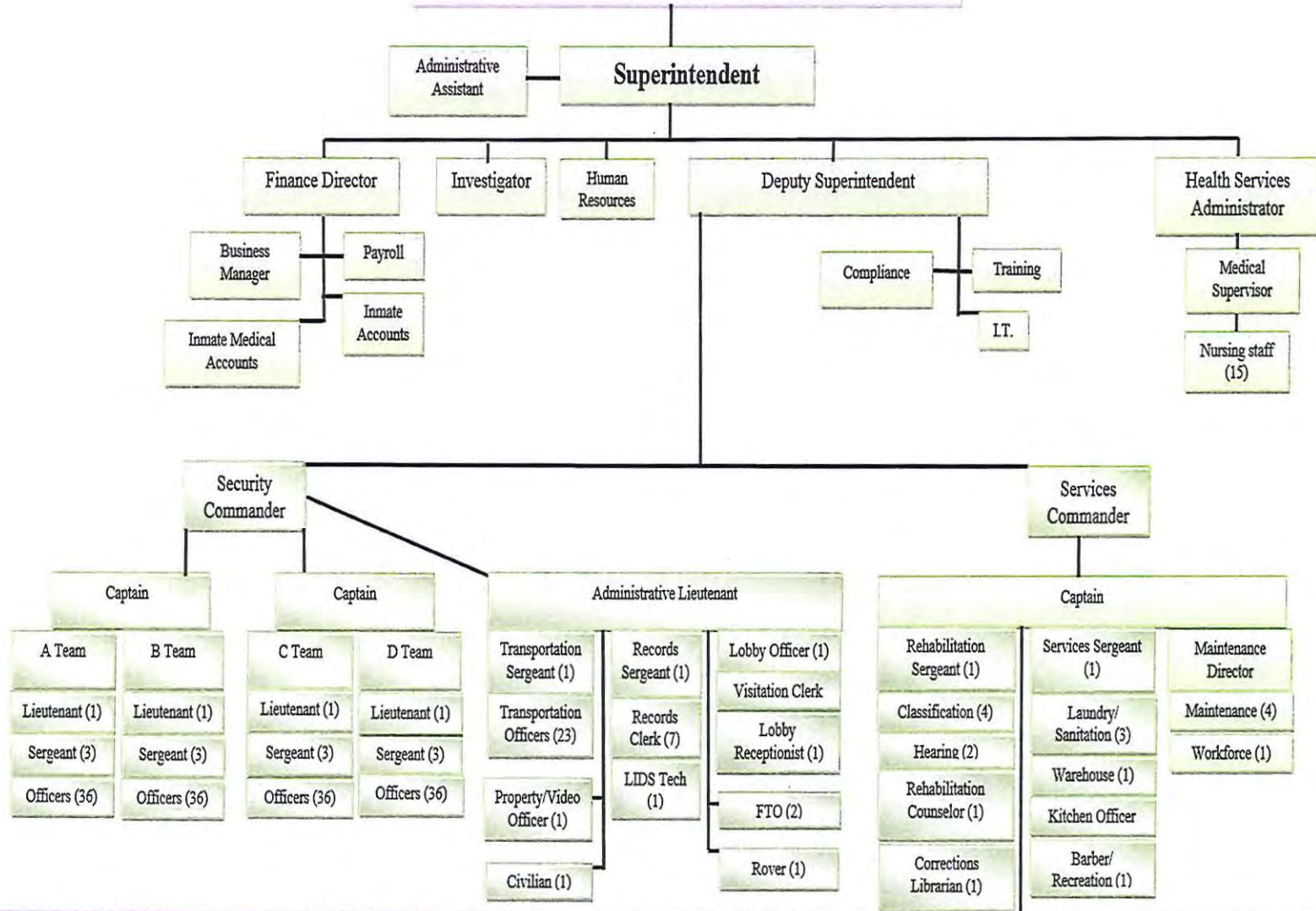


Gregory P. Winston
Superintendent



Tammy R. Dobbins
Director of Finance

New River Valley Regional Jail Authority



NEW RIVER VALLEY REGIONAL JAIL AUTHORITY MEMBERS

FISCAL YEAR 2018 – 2019

Chairman

Sheriff Mark R. Armentrout

Vice Chairman

Tim Reeves

Treasurer

Nikki Cannon

Secretary

Tonya Akers

Other Members

Sheriff Tom Roseberry

Bland County

Eric Workman

Bland County

Sheriff JB Gardner

Carroll County

Nikki Cannon

Carroll County

Sheriff Brian Craig

Floyd County

Joe Turman

Floyd County

Sheriff Morgan Millirons

Giles County

Richard L. Chidester

Giles County

Sheriff Richard Vaughan

Grayson County

William Shepley

Grayson County

Sheriff Michael Worrell

Pulaski County

Andy McCready

Pulaski County

Sheriff Mark Armentrout

Radford City

Nichole Sydnor Cumberland

Radford City

Sheriff Keith Dungan

Wythe County

Tim Reeves

Wythe County

Stephen Durbin, Esq.

Counsel

Gregory P Winston

Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

As management of the New River Valley Regional Jail Authority we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2019.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to financial statements.

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

Government-wide financial statements – The government-wide 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 all of the Authority's assets, deferred outflows or resources, liabilities and deferred inflows of resources, with resources 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 activities 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 related cash flows.

Fund financial statements – a fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. New River Valley Regional Jail authority, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority's funds can be divided into three categories – the governmental funds, proprietary funds and fiduciary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Governmental funds – *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, the governmental fund financial statement focuses on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The Authority maintains two individual governmental funds – the General Fund and the Capital Projects Fund.

Proprietary Funds – Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of the Internal Service Fund.

Fiduciary Funds -Fiduciary funds are used to account for resources held by the Authority for inmates and employees. Fiduciary funds are not reflected in the governmental-wide statements because the funds are not available to support the Authority's programs. The Authority's fiduciary funds consist of agency funds.

The Authority adopts an annual appropriated budget for its General Fund. The budget is prepared for informational purposes and is adopted as a planning document and is not a legal control on expenditures. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

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

Other information – In addition to the basic financial statements and accompanying notes, this report also resents certain required supplementary information for the schedule of funding progress for the Virginia Retirement System and OPEB.

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

FINANCIAL HIGHLIGHTS

Fiscal Year 2019:

- The Jail Authority's net position decreased \$185,349 in fiscal year 2019. This is primarily due to the OPEB related items.
- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by \$15,203,392 (net position).
- As of the close of the current fiscal year; the Authority's fund balance in the general fund totaled \$6,181,916 and increase of \$598,669 in comparison with the prior year. The General Fund's fund balance, \$6,181,916 is available for spending at the Authority's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,181,916 or 36% of total general fund expenditures.
- The Authority's total long-term obligations increased 2.26% during the current fiscal year.
- Total expenses in fiscal year 2019 increase by \$139,152, or 0.68%, primarily from Capital Outlay (plumbing, roofing repairs, busted water lines on solar system, and a sink hole on the property).

The Jail Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements are prepared on the accrual basis, recognizing revenue when earned and expenses when incurred, and include all of the business activities of the Jail Authority. Assets are designed as restricted in accordance with debt and other agreements. See notes to financial statements for a summary of significant accounting policies.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Jail Authority's financial statements. The jail Authority's financial statements consist of the Statement of Net Position, the Statements of Revenues, Expenses, and Changes in Net Positions, and the Statement of Cash Flows. The first two statements report the net position and how they have changed during the year. Net position is the difference between the total assets and deferred outflows of resources and total liabilities and deferred inflows of resources of the Jail Authority. Measuring net position is one way to gauge the Jail Authority's financial condition.

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

In fiscal year 2018, the Jail Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting for postemployment benefits other than pensions and to improve information provided by state and local governmental employers about financial support for other postemployment benefits (OPEB) that is provided by other entities. This

Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflow of resources, deferred inflow of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements and defined benefit OPEB also are addressed. For further information regarding the Jail Authority's OPEB plans, refer to Notes 1.D and Notes 9 and 10 of the accompanying notes to the financial statements.

In fiscal year 2018, the Jail Authority implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a constructions period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of GASB Statement *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of the construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. There is no impact to the FY2019 Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

FINANCIAL ANALYSIS OF JAIL FUNDS

As, noted earlier, the Authority used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds- The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Authority's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's general fund reported an ending fund balance of \$6,181,916 and increase of \$598,669 in comparison with the prior year. Of this total amount, \$6,181,916 constitutes unassigned fund balance, which is available for spending at the Authority's discretion. The remainder of fund balance is categorized to indicate that is not available for new spending because it has spending constraints for the following purposes:

- Nonspendable related to prepaid items
- Restricted for debt service and operating reserve
- Committed for capital projects
- Assigned for subsequent year's budget

The general fund is the primary operating fund of the Authority. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 36% of total general fund expenditures.

The general fund balance increased \$598,669 during the current fiscal year. One factor leading to the increase in fund balance was that revenues exceed budgeted amounts by \$105,803.

The capital project fund balance decreased \$3,433,264 during the current fiscal year as a result of ongoing capital projects.

Financial Analysis of the Authority's Funds:

General Fund Budgetary Highlights

Capital Asset and Debt Administration

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Capital assets – The Authority's net investment in capital assets for its governmental funds as of June 30, 2019 totals \$51,241,625 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The authority's net investment in capital assets for the current fiscal year decreased \$3,382,318 primarily due to an increase to accumulated depreciation in the amount of \$3,511,444. The following table summarizes the changes in capital assets for the year:

TABLE x
Governmental Funds
Change in Capital Assets

	<u>Balance July 1, 2018</u>	<u>Net Addition/ Deletions</u>	<u>Balance June 30, 1019</u>
Governmental Activities:			
Land	\$ 240,396	\$ _____	\$ 240,396
Buildings and Improvements	\$ 74,225,103	\$ _____	\$ 74,225,103
Machinery and Equipment	\$ 18,444,381	\$ 129,126	\$ 18,573,507
 Total capital assets	 \$ 92,909,880	 \$ 129,126	 \$ 93,039,006
 Accumulated depreciation	 \$ (38,285,937)	 \$ (3,511,444)	 \$ (41,797,381)
 Total capital assets	 \$ 54,623,943	 \$ (3,382,318)	 \$ (51,001,229)

Additional information on the Authority's capital assets can be found in Note 8 of the notes to financial statements.

Debt Administration

At the end of the year the Authority's long-term obligations totaled \$57,257,446. This reflects a decrease of \$1,309,297 from the FY'18 budget. Annual requirements to amortize all long-term debt and related interest and other information relative to the Authority's obligations can be found in Note 6 of the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Economic Factors and Next-Year's Budget

The FY'20 operating budget for New River Valley Regional Jail totals \$ 22,220,143. This reflects an increase of \$449,643 from the FY'19 budget. New River Valley Regional Jail Authority is fiscally sound as of this writing and based on current financial trends is economically stable.

Contact the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all of those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Authority's Director of Finance, P.O. Box 1067, Dublin, VA 24084.



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New River Valley Regional Jail Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New River Valley Regional Jail Authority, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2019, the Authority adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 48 and 49-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of New River Valley Regional Jail Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New River Valley Regional Jail Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New River Valley Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Faneer, Cox Associates

Blacksburg, Virginia
October 25, 2019

Basic Financial Statements

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 874,416
Investments	3,794,047
Accounts receivable	46,301
Due from other governmental units	2,269,960
Noncurrent assets:	
Cash and cash equivalents with trustee - restricted	1,884,717
Investments with trustee - restricted	3,711,302
Net pension asset	4,773,527
Capital assets (net of accumulated depreciation):	
Land	240,396
Machinery and equipment	1,514,253
Buildings and improvements	49,486,976
	\$ 68,595,895
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net	\$ 5,554,783
Pension related items	677,877
OPEB related items	770,283
	\$ 7,002,943
LIABILITIES	
Accounts payable	\$ 187,788
Accrued interest payable	503,399
Accrued benefits	615,020
Long-term liabilities:	
Due within one year	2,687,644
Due in more than one year	54,569,802
	\$ 58,563,653
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 1,408,631
OPEB related items	423,162
	\$ 1,831,793
NET POSITION	
Net investment in capital assets	\$ 3,212,218
Restricted for future debt service	5,596,019
Unrestricted	6,395,155
	\$ 15,203,392

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Activities
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Regional Jail Authority Governmental Activities</u>
Primary Government:					
Governmental activities:					
Public safety	\$ 19,778,220	\$ 8,835,172	\$ 11,748,588	\$ -	\$ 805,540
Interest on long-term obligations	1,815,243	-	-	-	(1,815,243)
Total governmental activities	<u>\$ 21,593,463</u>	<u>\$ 8,835,172</u>	<u>\$ 11,748,588</u>	<u>\$ -</u>	<u>\$ (1,009,703)</u>
General revenues:					
Unrestricted revenues from use of money and property					\$ 177,842
Miscellaneous					646,512
Total general revenues					<u>\$ 824,354</u>
Change in net position					\$ (185,349)
Net position - beginning					15,388,741
Net position - ending					<u>\$ 15,203,392</u>

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 874,416	\$ -	\$ 874,416
Investments	3,794,047	-	3,794,047
Accounts receivable	46,301	-	46,301
Due from other governmental units	2,269,960	-	2,269,960
Noncurrent assets:			
Cash and cash equivalents with trustee - restricted	-	1,884,717	1,884,717
Investments with trustee - restricted	-	3,711,302	3,711,302
Total assets	<u>\$ 6,984,724</u>	<u>\$ 5,596,019</u>	<u>\$ 12,580,743</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 187,788	\$ -	\$ 187,788
Accrued fringes	615,020	-	615,020
Total liabilities	<u>\$ 802,808</u>	<u>\$ -</u>	<u>\$ 802,808</u>
FUND BALANCE			
Restricted:			
Debt service	\$ -	\$ 5,596,019	\$ 5,596,019
Unassigned	6,181,916	-	6,181,916
Total fund balance	<u>\$ 6,181,916</u>	<u>\$ 5,596,019</u>	<u>\$ 11,777,935</u>
Total liabilities and fund balance	<u>\$ 6,984,724</u>	<u>\$ 5,596,019</u>	<u>\$ 12,580,743</u>

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet		\$	11,777,935
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			51,241,625
The net pension asset is not an available resource and, therefore, is not reported in the funds.			4,773,527
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Deferred charge on refunding (to be amortized as interest expense)	\$	5,554,783	
Pension related items		677,877	
OPEB related items		<u>770,283</u>	7,002,943
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Revenue bond	\$	(48,770,000)	
Premium on revenue refunding bond		(4,814,190)	
Accrued interest payable		(503,399)	
Net OPEB liabilities		(2,969,748)	
Compensated absences		<u>(703,508)</u>	(57,760,845)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(1,408,631)	
OPEB related items		<u>(423,162)</u>	(1,831,793)
Net position of governmental activities		\$	<u><u>15,203,392</u></u>

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues:			
Revenue from use of money and property	\$ 74,200	\$ 103,642	\$ 177,842
Charges for services	8,835,172	-	8,835,172
Miscellaneous	646,512	-	646,512
Recovered costs	67,543	-	67,543
Intergovernmental	11,748,588	-	11,748,588
Total revenues	\$ 21,372,015	\$ 103,642	\$ 21,475,657
Expenditures:			
Public Safety:			
Employee costs	\$ 12,060,041	\$ -	\$ 12,060,041
Medical costs	1,713,991	-	1,713,991
Building costs	1,067,969	-	1,067,969
Administrative costs	35,859	-	35,859
Service contracts/treatment costs	403,318	-	403,318
Telecommunication costs	29,614	-	29,614
Vehicle/equipment costs	125,452	-	125,452
Inmate costs	1,301,840	-	1,301,840
Custodial costs	62,064	-	62,064
Travel costs	5,772	-	5,772
Training and operational costs	57,270	-	57,270
Capital Outlay	245,625	-	245,625
Debt Service:			
Principal	-	1,475,000	1,475,000
Interest and other fiscal charges	-	2,061,906	2,061,906
Total expenditures	\$ 17,108,815	\$ 3,536,906	\$ 20,645,721
Excess (deficiency) of revenues over (under) expenditures	\$ 4,263,200	\$ (3,433,264)	\$ 829,936
Other financing sources (uses):			
Transfers in	\$ -	\$ 3,664,531	\$ 3,664,531
Transfers out	(3,664,531)	-	(3,664,531)
Total other financing sources (uses)	\$ (3,664,531)	\$ 3,664,531	\$ -
Net change in fund balance	\$ 598,669	\$ 231,267	\$ 829,936
Fund balance, beginning of year	5,583,247	5,364,752	10,947,999
Fund balance, end of year	\$ 6,181,916	\$ 5,596,019	\$ 11,777,935

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds	\$	829,936
--------------------------------------------------------	----	---------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital asset purchases in the current period.

Capital outlay	\$	129,126	
Depreciation expense		<u>(3,511,444)</u>	(3,382,318)

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Principal payments on revenue bond		1,475,000
------------------------------------	--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Increase (decrease) in deferred charge on refunding	\$	(277,739)	
(Increase) decrease in premium on revenue refunding bond		517,148	
(Increase) decrease in compensated absences		(3,805)	
(Increase) decrease in accrued interest payable		7,254	
Change in pension related items		878,978	
Change in OPEB related items		<u>(229,803)</u>	<u>892,033</u>

Change in net position of governmental activities	\$	<u>(185,349)</u>
---------------------------------------------------	----	------------------

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
 Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2019

	Agency Funds
ASSETS	
Cash	\$ 402,773
Accounts receivable	32,003
	434,776
Total assets	\$ 434,776
LIABILITIES	
Accounts payable	\$ 6,802
Amounts held for inmate benefits	427,974
	434,776
Total liabilities	\$ <u>434,776</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

New River Valley Regional Jail Authority

Notes to the Financial Statements June 30, 2019

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

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

B. Government-wide and fund financial statements

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

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

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

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

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

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

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

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

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

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

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

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

The Authority reports the following major governmental funds:

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

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

Additionally, the Authority reports the following fund types:

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

New River Valley Regional Jail Authority
 Notes to the Financial Statements
 June 30, 2019 (continued)

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

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

1. *Cash and Cash Equivalents*

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

2. *Investments*

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments for the Authority are reported at fair value.

3. *Use of Estimates*

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

4. *Capital Assets*

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Machinery and equipment	5-20

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

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

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

5. *Accounts Receivable*

Accounts receivable are stated at book value. The Authority has created an allowance for doubtful accounts based on amounts uncollected for greater than 90 days. The Authority had no allowance for doubtful accounts at June 30, 2019.

6. *Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The Authority's employees accrue paid time off at various rates based on the total years of service during employment as a full-time employee. Employees will be allowed to accumulate their maximum accrued hours per year as determined by years of service. An employee can accrue more than the maximum hours allowed however, the maximum amount will only be carried beyond December 31st of each year. Upon termination, full compensation will be paid for unused paid time off up to the designated maximum based upon total years of service. The Authority's employees also accrue comp time at time and a half which is paid in full upon termination. During FY2014 the Authority adopted a new policy regarding sick leave. Upon retirement, employees with 5 years of service receive their sick leave at 25% up to \$5,000. The Authority's liability for compensated absences, including sick leave to those employees eligible to retire at June 30, 2019 was \$703,508.

7. *Restricted Assets*

Restricted cash is set aside for future debt service expenditures.

8. *Long-term Obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as deferred bond insurance, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Deferred bond insurance is reported as deferred charges and amortized over the term of the related debt.

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

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

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

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

9. *Deferred Outflows/Inflows of Resources*

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

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

10. *Pensions*

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

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

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

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

11. *Other Post Employment Benefits (OPEB)*

VRS Related OPEB

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

Health Insurance

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

12. *Net Position*

The Statement of Net Position reports the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as net position.

The Authority's net position is classified as follows:

Net Investment in Capital Assets - This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset. Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted- This category includes resources for which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted - Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the Authority and may be used at the Authority's discretion to meet current expenses for any lawful purposes.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

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

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

12. Net Position Flow Assumption

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

13. Fund Balance

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by the Superintendent to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

Note 2-Deposits and Investments:

Deposits:

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

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

Note 2-Deposits and Investments: (Continued)

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 and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments):

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

Credit Risk of Debt Securities:

The Authority has not adopted an investment policy for credit risk. The Authority's rated debt investments as of June 30, 2019 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Rated Debt Investments	Fair Quality Ratings	
	AAA	AAAm
Local Government Investment Pool (LGIP)	\$ -	\$ 3,794,047
First American Treasury Obligations	-	1,884,717
U.S. Treasury Note	3,711,302	-
Total	\$ 3,711,302	\$ 5,678,764

Concentration of Credit Risk:

At June 30, 2019, the Authority did not have any investments requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk:

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

	Investment Maturities (in years)		
	Fair Value	Less than 1 Year	5 Years
First American Treasury Obligations	\$ 1,884,717	\$ -	\$ 1,884,717
LGIP	3,794,047	3,794,047	-
U.S Treasury Note	3,711,302	-	3,711,302
Total	\$ 9,390,066	\$ 3,794,047	\$ 5,596,019

**New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)**

Note 2-Deposits and Investments: (Continued)

External Investment Pool:

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

Note 3-Fair Value Measurements:

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

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

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

The Authority has the following recurring fair value measurements as of June 30, 2019:

Investment	6/30/2019	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
First American Treasury				
Obligations	\$ 1,884,717	\$ 1,884,717	\$ -	\$ -
U.S. Treasuries	3,711,302	3,711,302	-	-

**New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)**

Note 4-Receivables:

At June 30, 2019, the Authority had the following receivables:

Amounts due from other governmental units:	
Amounts due from the State Compensation Board for Jail Payroll	\$ 802,249
Amounts due from the State for Per Diems	649,482
Amounts due from participating jurisdictions	765,414
Amounts due from State Compensation Board for Medical	52,815
Total amounts due from other governmental units	<u>\$ 2,269,960</u>
Accounts receivable:	
Inmate telephone	\$ 39,974
Miscellaneous receivables	6,327
Total accounts receivable	<u>\$ 46,301</u>

Note 5-Interfund Transfers:

Interfund transfers for the year ended June 30, 2019, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 3,664,531
Debt Service Fund	3,664,531	-
Total	<u>\$ 3,664,531</u>	<u>\$ 3,664,531</u>

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

The remainder of this page is left blank intentionally.

**New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)**

Note 6-Long-Term Obligations:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2019:

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Revenue Refunding Bond	\$50,245,000	\$ -	\$(1,475,000)	\$48,770,000
Revenue Refunding Bond Premium	5,331,338	-	(517,148)	4,814,190
Compensated Absences	699,703	528,582	(524,777)	703,508
Net OPEB Liabilities	2,290,702	1,187,618	(508,572)	2,969,748
	<u>\$58,566,743</u>	<u>\$1,716,200</u>	<u>\$(3,025,497)</u>	<u>\$57,257,446</u>

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

Year Ending June 30,	Revenue Refunding Bond	
	Principal	Interest
2020	\$ 1,655,000	\$ 2,022,331
2021	1,705,000	1,968,706
2022	1,760,000	1,913,506
2023	1,820,000	1,853,956
2024	1,875,000	1,792,681
2025-2029	10,560,000	7,743,441
2030-2034	13,245,000	5,008,475
2035-2039	16,150,000	2,004,126
	<u>\$ 48,770,000</u>	<u>\$ 24,307,222</u>

The remainder of this page is left blank intentionally.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

Note 6-Long-Term Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Final Maturity Date	Amount of Original Issue	Installment Frequency	Amount Outstanding	Amount due Within 1 year
Revenue						
refunding bond	2.00-5.00%	10/1/2038	\$51,745,000	Annual*	\$ 48,770,000	\$ 1,655,000
Plus: Premium					4,814,190	505,013
Total revenue refunding bond					<u>\$ 53,584,190</u>	<u>\$ 2,160,013</u>
Other long-term obligations:						
Compensated absences					\$ 703,508	\$ 527,631
Net OPEB liabilities					2,969,748	-
Total other long-term obligations					<u>\$ 3,673,256</u>	<u>\$ 527,631</u>
Total long-term obligations					<u>\$ 57,257,446</u>	<u>\$ 2,687,644</u>

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

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

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

- Reimbursement Payments (1) pledged to pay indebtedness and scheduled to be paid in the upcoming Fiscal Year, *provided*, that the Authority has not been notified by or on behalf of the appropriate payor that it does not intend to make such payments, and (2) received in excess of the amount required to pay or redeem such indebtedness; and
- Amounts in the Repair and Replacement Reserve Account in excess of the Replacement Reserve Requirement and amounts in the General Reserve Account, to the extent not committed, required or intended to be used for a particular purposes; *provided* such amounts in the aggregate do not exceed 15% of Operating Expenses plus Senior Debt Service budgeted to be paid during such Fiscal Year.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

Note 6-Long-Term Obligations: (Continued)

Details of long-term obligations: (Continued)

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

- Payments from the Commonwealth Compensation Board due in such Fiscal Year but not year paid; *provided*, that the Authority has not been notified that such payments will not be made;
- Fees and other charges due for services furnished by the Authority to non-Member Jurisdictions in such Fiscal Year, but not yet paid and not overdue; *provided*, that the Authority has not been notified that such payments will not be made; and
- Amounts in the Repair and Replacement Reserve Account in excess of the Replacement Reserve Requirement and amounts in the General Reserve Account, to the extent not committed, required or intended to be used for a particular purpose; *provided* such amounts in the aggregate do not exceed 15% of Operating Expenses plus Senior Debt Service budgeted to be paid during such Fiscal year.

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

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

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

The Authority also has an outstanding line of credit with Union First Bank. The allowable principal is \$600,000. The line of credit did not have any activity during fiscal year 2018 or fiscal year 2019 and as of June 30, 2019 had no outstanding balance.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

Note 7-Pension Plan:

Plan Description

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

Benefit Structures

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

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. 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 creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- 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 creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- 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 creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

**New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)**

Note 7-Pension Plan: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee’s average final compensation multiplied by the employee’s total creditable service. Under Plan 1, average final compensation is the average of the employee’s 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% 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 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service 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 creditable service 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, 2017 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	56
Inactive members:	
Vested inactive members	20
Non-vested inactive members	115
Inactive members active elsewhere in VRS	<u>134</u>
Total inactive members	269
Active members	<u>241</u>
Total covered employees	<u><u>566</u></u>

**New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)**

Note 7-Pension Plan: (Continued)

Contributions

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

The New River Valley Regional Jail Authority's contractually required employer contribution rate for the year ended June 30, 2019 was 8.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the New River Valley Regional Jail Authority were \$677,877 and \$738,132 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For New River Valley Regional Jail Authority's net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018.

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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

Note 7-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% 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.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

Note 7-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - 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% to 20%

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% to 15%

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

Note 7-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Hazardous Duty: 70% 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.

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.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

Note 7-Pension Plan: (Continued)

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

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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 45%

The remainder of this page is left blank intentionally.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%

The remainder of this page is left blank intentionally.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

Note 7-Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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, 2018, the alternate rate was the employer contribution rate used in FY2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 19,228,956	\$ 23,327,263	\$ (4,098,307)
Changes for the year:			
Service cost	\$ 1,357,493	\$ -	\$ 1,357,493
Interest	1,326,841	-	1,326,841
Differences between expected and actual experience	(446,444)	-	(446,444)
Contributions - employer	-	738,132	(738,132)
Contributions - employee	-	438,015	(438,015)
Net investment income	-	1,752,892	(1,752,892)
Benefit payments, including refunds of employees contributions	(548,157)	(548,157)	-
Administrative expenses	-	(14,334)	14,334
Other changes	-	(1,595)	1,595
Net changes	\$ 1,689,733	\$ 2,364,953	\$ (675,220)
Balances at June 30, 2018	\$ 20,918,689	\$ 25,692,216	\$ (4,773,527)

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
New River Valley Regional Jail Authority			
Net Pension Liability (Asset)	\$ (1,314,321)	\$ (4,773,527)	\$ (7,571,308)

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

For the year ended June 30, 2019, the New River Valley Regional Jail Authority recognized pension expense of \$(201,101). At June 30, 2019, the New River Valley Regional Jail Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,058,185
Change in assumptions	-	104,604
Net difference between projected and actual earnings on pension plan investments	-	245,842
Employer contributions subsequent to the measurement date	677,877	-
Total	\$ 677,877	\$ 1,408,631

New River Valley Regional Jail Authority
 Notes to the Financial Statements
 June 30, 2019 (continued)

Note 7-Pension Plan: (Continued)

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

\$677,877 reported as deferred outflows of resources related to pensions resulting from the New River Valley Regional Jail Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>		
2020	\$	(528,944)
2021		(483,439)
2022		(373,210)
2023		(23,038)
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

The remainder of this page is left blank intentionally.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

Note 8-Capital Assets:

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 240,396	\$ -	\$ -	\$ 240,396
Capital assets being depreciated:				
Buildings and Improvements	\$ 74,225,103	\$ -	\$ -	\$ 74,225,103
Machinery and Equipment	18,444,381	129,126	-	18,573,507
Total capital assets being depreciated	<u>\$ 92,669,484</u>	<u>\$ 129,126</u>	<u>\$ -</u>	<u>\$ 92,798,610</u>
Accumulated depreciation:				
Buildings and Improvements	\$ (22,882,499)	\$ (1,855,628)	\$ -	\$ (24,738,127)
Machinery and Equipment	(15,403,438)	(1,655,816)	-	(17,059,254)
Total accumulated depreciation	<u>\$ (38,285,937)</u>	<u>\$ (3,511,444)</u>	<u>\$ -</u>	<u>\$ (41,797,381)</u>
Total capital assets being depreciated, net	<u>\$ 54,383,547</u>	<u>\$ (3,382,318)</u>	<u>\$ -</u>	<u>\$ 51,001,229</u>
Governmental activities capital assets, net	<u>\$ 54,623,943</u>	<u>\$ (3,382,318)</u>	<u>\$ -</u>	<u>\$ 51,241,625</u>

Note 9-Risk Management:

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

**New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)**

Note 10-Other Postemployment Benefits - Health Insurance:

Plan Description

In addition to the pension benefits described in Note 7, the Authority administers a single-employer defined benefit healthcare plan, The Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Authority's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

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

Plan Membership

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees	228
Total retired employees	4
Total	232

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Board. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2019 was \$33,092.

Total OPEB Liability

The Authority's total OPEB liability was measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions

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

Inflation	2.50% per year as of June 30, 2018; 2.50% per year as of June 30, 2019
Salary Increases	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Discount Rate	3.87% as of June 30, 2018; 3.50% as of June 30, 2019
Investment Rate of Return	N/A

New River Valley Regional Jail Authority
 Notes to the Financial Statements
 June 30, 2019 (continued)

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

Actuarial Assumptions (continued)

Mortality Rates:

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.
- Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

Discount Rate

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

Changes in Total OPEB Liability

Balance as of June 30, 2018	\$ 1,580,702
Changes for the year:	
Service cost	167,034
Interest	97,837
Economic Gains or Losses	796,747
Effect of Assumptions Changes	(353,480)
Benefit Payments	(33,092)
Balance as of June 30, 2019	<u>\$ 2,255,748</u>

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

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

Rate		
(2.50%)	(3.50%)	(4.50%)
1% Decrease	Current Discount	1% Increase
\$ 2,550,084	\$ 2,255,748	\$ 2,002,255

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

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

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

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

		Rate			
		Healthcare			
1% Decrease	Cost Trend		1% Increase		
(4.80% decreasing to 3.10%)		(5.80% decreasing to 4.10%)		(6.80% decreasing to 5.10%)	
\$	1,931,007	\$	2,255,748	\$	2,651,634

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

For the year ended June 30, 2019, the Authority recognized OPEB expense in the amount of \$304,445. At June 30, 2019, the Authority reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 693,273	\$ -
Changes in assumptions	-	347,162
Total	<u>\$ 693,273</u>	<u>\$ 347,162</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:

<u>Year Ended June 30</u>	
2020	\$ 39,574
2021	39,574
2022	53,968
2023	57,568
2024	57,568
Thereafter	97,859

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.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

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

Plan Description

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

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. 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 program, it is not included as part of the GLI Program OPEB.

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

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. 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 Program 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 program 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 creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

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

Contributions

The contribution requirements for the GLI Program 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 Program 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, 2019 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 Program from the entity were \$42,010 and \$46,460 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$714,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. 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 Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.04699% as compared to 0.04720% at June 30, 2017.

For the year ended June 30, 2018, the participating employer did not recognize GLI OPEB expense.

At June 30, 2019, 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	\$ 35,000	\$ 13,000
Change in assumptions	-	30,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	23,000
Change in proportionate share	-	10,000
Employer contributions subsequent to the measurement date	<u>42,010</u>	<u>-</u>
Total	<u>\$ 77,010</u>	<u>\$ 76,000</u>

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

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

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

\$42,010 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, 2020. 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>	
2020	\$ (13,000)
2021	(13,000)
2022	(13,000)
2023	(6,000)
2024	-
Thereafter	4,000

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

**New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)**

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

Actuarial Assumptions (Continued)

*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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates - 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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	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% to 20%

**New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)**

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	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% to 15%

Mortality Rates - 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.

**New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)**

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

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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.

New River Valley Regional Jail Authority
 Notes to the Financial Statements
 June 30, 2019 (continued)

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

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at 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% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		GLI OPEB Program
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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.

**New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)**

Note 11-Group Life Insurance (GLI) Program (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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. 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, 2018, 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, 2018 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.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)

Note 11-Group Life Insurance (GLI) Program (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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 933,000	\$ 714,000	\$ 536,000

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12-Summary of OPEB Plans:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Program (Note 11):	\$ 77,010	\$ 76,000	\$ 714,000	\$ -
Stand-Alone Plan (Note 10)	693,273	347,162	2,255,748	304,445
Totals	<u>\$ 770,283</u>	<u>\$ 423,162</u>	<u>\$ 2,969,748</u>	<u>\$ 304,445</u>

Note 13-Litigation:

As of June 30, 2019, the Authority had no matters of litigation involving the Authority which would materially affect the Authority's financial position.

Required Supplementary Information

**New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2019 (continued)**

Note 14-Adoption of Accounting Principles:

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 15-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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 December 15, 2019.

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, 2019.

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, 2018.

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 impact these standards will have on the financial statements when adopted.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - General Fund
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Revenue from local sources:				
Charges to participating jurisdictions:				
Bland County	\$ 132,128	\$ 132,128	\$ 116,985	\$ (15,143)
Carroll County	2,075,399	2,075,399	2,256,045	180,646
Giles County	992,922	992,922	904,172	(88,750)
Grayson County	968,270	968,270	918,417	(49,853)
Floyd County	518,734	518,734	489,225	(29,509)
Pulaski County	1,960,294	1,960,294	1,890,653	(69,641)
Radford City	894,807	894,807	772,695	(122,112)
Wythe County	1,390,820	1,390,820	1,486,980	96,160
Interest income	31,000	31,000	74,200	43,200
Inmate telephone income	440,000	440,000	462,623	22,623
Inmate cost recovery	70,000	70,000	67,543	(2,457)
Miscellaneous	43,250	43,250	183,889	140,639
Total revenue from local sources	<u>\$ 9,517,624</u>	<u>\$ 9,517,624</u>	<u>\$ 9,623,427</u>	<u>\$ 105,803</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Reimbursement of salaries and fringes	\$ 9,790,775	\$ 9,790,775	\$ 9,466,908	\$ (323,867)
State per diem warrant	2,449,501	2,449,501	2,044,158	(405,343)
Other	12,600	12,600	237,522	224,922
Total revenue from the Commonwealth	<u>\$ 12,252,876</u>	<u>\$ 12,252,876</u>	<u>\$ 11,748,588</u>	<u>\$ (504,288)</u>
Total revenues	<u>\$ 21,770,500</u>	<u>\$ 21,770,500</u>	<u>\$ 21,372,015</u>	<u>\$ (398,485)</u>
Expenditures:				
Public Safety:				
Employee costs	\$ 12,702,112	\$ 12,702,112	\$ 12,060,041	\$ 642,071
Medical costs	2,318,193	2,318,193	1,713,991	604,202
Building costs	1,013,276	1,013,276	1,067,969	(54,693)
Administrative costs	31,545	31,545	35,859	(4,314)
Service contracts/treatment costs	402,860	402,860	403,318	(458)
Telecommunication costs	40,500	40,500	29,614	10,886
Vehicle/equipment costs	119,953	119,953	125,452	(5,499)
Inmate costs	1,250,150	1,250,150	1,301,840	(51,690)
Custodial costs	58,540	58,540	62,064	(3,524)
Travel costs	3,100	3,100	5,772	(2,672)
Training and operational costs	65,740	65,740	57,270	8,470
Capital Outlay	100,000	100,000	245,625	(145,625)
Total expenditures	<u>\$ 18,105,969</u>	<u>\$ 18,105,969</u>	<u>\$ 17,108,815</u>	<u>\$ 997,154</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,664,531</u>	<u>\$ 3,664,531</u>	<u>\$ 4,263,200</u>	<u>\$ 598,669</u>
Other financing sources (uses):				
Transfers out	<u>\$ (3,664,531)</u>	<u>\$ (3,664,531)</u>	<u>\$ (3,664,531)</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 598,669	\$ 598,669
Fund balance, beginning of year	-	-	5,583,247	5,583,247
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,181,916</u>	<u>\$ 6,181,916</u>

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

Schedule of Changes in Net Pension Asset and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2018

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

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Schedule of Employer Contributions
Pension Plan
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 677,877	\$ 677,877	-	\$ 8,044,807	8.43%
2018	738,132	738,132	-	8,888,104	8.30%
2017	728,986	728,986	-	8,668,083	8.41%
2016	868,736	868,736	-	8,592,835	10.11%
2015	883,062	883,062	-	8,734,544	10.11%
2014	1,138,159	1,138,159	-	8,934,280	12.74%
2013	1,124,904	1,124,904	-	8,445,222	13.32%
2012	962,480	962,480	-	7,967,547	12.08%
2011	968,476	968,476	-	8,017,182	12.08%
2010	766,201	766,201	-	6,732,877	11.38%

Current year contributions are from Authority records and prior year contributions are from the VRS actuarial valuation performed each year.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - 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% to 20%

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% to 15%

Largest 10 - 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 45%

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
Health Insurance Plan
For the Measurement Dates of June 30, 2018 and June 30, 2019

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

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Notes to Required Supplementary Information - Health Insurance Plan
For the Year Ended June 30, 2019

Valuation Date: 7/1/2018
 Measurement Date: 6/30/2019

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 normal level % of salary
Discount Rate	3.87% as of June 30, 2018; 3.50% as of June 30, 2019
Inflation	2.50% per year as of June 30, 2018; 2.50% per year as of June 30, 2019
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.80% in 2019 and gradually declines to 4.10% by the year 2095
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	Pre-Retirement - RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females setback 1 year. Post-Retirement - RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. Post-Disablement - RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
 Schedule of Authority's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2018	0.04699%	\$ 714,000	\$ 8,888,104	8.03%	51.22%
2017	0.04720%	710,000	8,668,084	8.19%	48.86%

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
 Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2017 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 42,010	\$ 42,010	\$ -	\$ 8,078,758	0.52%
2018	46,460	46,460	-	8,888,104	0.52%
2017	45,271	45,271	-	8,668,084	0.52%

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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% to 20%

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% to 15%

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	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 45%

Compliance

THIS PAGE LEFT BLANK INTENTIONALLY



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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New River Valley Regional Jail Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise New River Valley Regional Jail Authority's basic financial statements and have issued our report thereon dated October 25, 2019.

Internal Control over Financial Reporting

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

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

Purpose of this Report

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

Robinson, Fawcett, & Associates

Blacksburg, Virginia
October 25, 2019