# CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY

## FINANCIAL REPORT

## FOR THE YEAR ENDED JUNE 30, 2020

# CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY

## A U T H O R I T Y   M E M B E R S

### FLUVANNA COUNTY

Eric Hess, Sheriff
Donald Weaver

### GREENE COUNTY

Steve Smith, Sheriff
Marie Durrer

### LOUISA COUNTY

Troy Wade, Chairman
Donald Lowe, Sheriff

### MADISON COUNTY

Kevin McGhee
Eric J. Weaver, Sheriff

### ORANGE COUNTY

James P. Crozier, Vice Chairman
Mark Amos, Sheriff

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Robinson, Farmer, Cox Associates, PLLC
*Certified Public Accountants*

CPAs | Consultants

## Independent Auditors' Report

**To the Honorable Members of**
**Central Virginia Regional Jail Authority**
**Orange, Virginia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Central Virginia Regional Jail Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

### *Opinions*

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

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedules related to pension and OPEB funding on pages 35-41 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.

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 Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Virginia Regional Jail Authority's basic financial statements. The schedule of revenues, expenses and changes in net position – budget and actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of revenues, expenses and changes in net position – budget and actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenses and changes in net position – budget and actual is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, on our consideration of Central Virginia 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 Central Virginia 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 Central Virginia Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 7, 2020

## - Basic Financial Statements -

## CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY

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

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 12,679,933 |
| Due from other governmental units | | 900,220 |
| Prepaid items | | 22,702 |
| Capital assets (net of accumulated depreciation) (Note 5): | | |
| Land | | 175,000 |
| Buildings and improvements | | 20,984,725 |
| Vehicles | | 151,281 |
| Machinery and equipment | | 357,186 |
| Total assets | $ | 35,271,047 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension related items (Note 3) | $ | 1,171,592 |
| OPEB related items (Notes 8 - 10) | | 258,438 |
| Total deferred outflows of resources | $ | 1,430,030 |
| **LIABILITIES** | | |
| Accounts payable | $ | 140,948 |
| Accrued payroll | | 28,978 |
| Unearned revenue | | 233,626 |
| Compensated absences - current portion (Note 6) | | 63,978 |
| Long-term liabilities: | | |
| Compensated absences - long-term portion (Note 6) | | 575,804 |
| Net pension liability (Note 3) | | 865,674 |
| Net OPEB liabilities (Notes 8 - 10) | | 2,956,802 |
| Total liabilities | $ | 4,865,810 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension related items (Note 3) | $ | 572,711 |
| OPEB related items (Notes 8 - 10) | | 185,413 |
| Total deferred inflows of resources | $ | 758,124 |
| **NET POSITION** | | |
| Investment in capital assets | $ | 21,668,192 |
| Unrestricted | | 9,408,951 |
| Total net position | $ | 31,077,143 |

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

## CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY

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

| | |
|---|---|
| Operating revenues: | |
| Contributions from participating localities: | |
| County of Greene | $ 1,328,261 |
| County of Fluvanna | 1,242,349 |
| County of Orange | 2,253,073 |
| County of Madison | 838,059 |
| County of Louisa | 2,760,962 |
| Other jurisdictions per diem | 4,050 |
| Charges for services | 194,600 |
| Recovered medical costs | 136,597 |
| Miscellaneous | 109,165 |
| Commonwealth of Virginia State Compensation Board: | |
| State of Virginia | 4,384,126 |
| Reimbursement for jail inmate days: | |
| State of Virginia | 844,968 |
| Federal inmate days | 1,447,759 |
| Total operating revenues | $ 15,543,969 |
| Operating expenses: | |
| Public Safety: | |
| Personnel costs | $ 7,038,157 |
| Fringe benefits | 3,492,971 |
| Contractual services | 1,128,356 |
| Other charges | 2,459,796 |
| Depreciation expense | 968,457 |
| Capital outlay | 94,032 |
| Total operating expenses | $ 15,181,769 |
| Operating income (loss) | $ 362,200 |
| Nonoperating revenues (expenses): | |
| Interest income | $ 105,543 |
| Net nonoperating revenues (expenses) | $ 105,543 |
| Income (loss) | $ 467,743 |
| Change in net position | $ 467,743 |
| Net position, beginning of year | 30,609,400 |
| Net position, end of year | $ 31,077,143 |

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

## CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY

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

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Receipts from customers | $ | 15,472,132 |
| Payments to suppliers | | (3,757,806) |
| Payments to and on behalf of employees | | (10,225,343) |
| Net cash flows provided by (used for) operating activities | $ | 1,488,983 |
| Cash flows from capital and related financing activities: | | |
| Purchase of capital assets | $ | (1,057,697) |
| Net cash flows provided by (used for) capital and related financing activities | $ | (1,057,697) |
| Cash flows from investing activities: | | |
| Interest income | $ | 105,543 |
| Net cash flows provided by (used for) investing activities | $ | 105,543 |
| Net increase (decrease) in cash and cash equivalents | $ | 536,829 |
| Cash and cash equivalents, beginning of year | | 12,143,104 |
| Cash and cash equivalents, end of year | $ | 12,679,933 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | $ | 362,200 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation | | 968,457 |
| Changes in assets, liabilities, and deferred outflows and inflows of resources: | | |
| (Increase) / decrease in due from other governmental units | | 25,838 |
| (Increase) / decrease in prepaid items | | 7,567 |
| Increase / (decrease) in accounts payable | | (83,189) |
| Increase / (decrease) in accrued payroll | | (9,297) |
| Increase / (decrease) in unearned revenue | | (97,675) |
| Increase / (decrease) in compensated absences | | 62,572 |
| (Increase) / decrease in deferred outflows - pension related | | (258,245) |
| (Increase) / decrease in deferred outflows - OPEB related | | (147,637) |
| Increase / (decrease) in deferred inflows - pension related | | 402,607 |
| Increase / (decrease) in deferred inflows - OPEB related | | 128,413 |
| Increase / (decrease) in net pension liability | | (250,430) |
| Increase / (decrease) in net OPEB liabilities | | 377,802 |
| Cash flows provided by (used for) operating activities | $ | 1,488,983 |

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

## CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY

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

| | Agency Funds |
|---|---|
| **ASSETS** | |
| Cash | $ 1,047,235 |
| **LIABILITIES** | |
| Amounts held for inmate benefits | $ 1,042,558 |
| Amounts held for employee benefits | 4,677 |
| Total liabilities | $ 1,047,235 |

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

### A. The Financial Reporting Entity:

The Central Virginia Regional Jail Authority was established pursuant to the Code of Virginia (1950), as amended and the participating Counties of Fluvanna, Greene, Louisa, Madison and Orange. The construction costs of the Authority are divided among the participating localities. The costs of operation and maintenance for each county shall be on a 3 year average prisoner day basis. The Authority is considered a Jointly Governed Organization of the above localities because each locality is equally represented on the Board. Each participating locality contributes annually to the Authority's operations. However, there is no financial benefit or burden between the Authority and the participating localities.

### B. Financial Statement Presentation:

Management's Discussion and Analysis - GASB requires the financial statements be accompanied by a narrative introduction and analytical overview of the Authority's financial activities in the form of "management's discussion and analysis" (MD&A). Management has elected to omit the MD&A.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

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

Additionally, the Authority reports the following fund type:

*Agency funds* account for assets held by the Authority as an agent or custodian of individuals, private organizations, other governmental units or other funds. The inmate account, commissary account, employee account, work release account, donation account and EIP payroll account are the Authority's agency funds.

### D. Capital Assets:

All purchased capital assets are valued at historical cost. Donated capital assets are valued at their acquisition value on the date donated. Only assets with a cost of $5,000 or more will be capitalized.

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

### D. Capital Assets: (Continued)

Construction-in-progress is capitalized as constructed and will not be depreciated until complete and placed in service.

Depreciation is calculated using the straight-line method.

The following estimated useful lives are used to depreciate assets:

| | |
|---|---|
| Buildings and improvements | 30-40 years |
| Vehicles, machinery, and equipment | 5-10 years |

### E. Accounts Receivable:

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

### F. Cash and Cash Equivalents:

The Authority's cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with an initial maturity of three months or less.

### G. Use of Estimates:

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

### H. Investments:

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

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

### I. Budgets and Budgetary Accounting:

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

### J. Net Position:

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

### K. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

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

### K. Deferred Outflows/Inflows of Resources: (Continued)

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 item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

### L. Pensions:

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

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

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

## NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

## 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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The Authority had no investments at June 30, 2020.

## NOTE 3 - PENSION PLAN:

### *Plan Description*

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

### *Benefit Structures*

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

a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

## NOTE 2 - DEPOSITS AND INVESTMENTS:

***Benefit Structures: (Continued)***

c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

## NOTE 3 - PENSION PLAN: (CONTINUED)

***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

## NOTE 3 - PENSION PLAN: (CONTINUED)

### *Employees Covered by Benefit Terms*

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

| | Number |
|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 57 |
| Inactive members: | |
| Vested inactive members | 20 |
| Non-vested inactive members | 95 |
| Inactive members active elsewhere in VRS | 82 |
| Total inactive members | 197 |
| Active members | 137 |
| Total covered employees | 391 |

### *Contributions*

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2020 was 12.22% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $778,550 and $731,650 for the years ended June 30, 2020 and June 30, 2019, respectively.

### *Net Pension Liability*

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

## NOTE 3 - PENSION PLAN: (CONTINUED)

### *Actuarial Assumptions – General Employees*

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

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% – 5.35% |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation* |

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

Mortality rates:

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

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

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

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

## NOTE 3 - PENSION PLAN: (CONTINUED)

*Actuarial Assumptions – General Employees: (Continued)*

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

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

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

*Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits*

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

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% – 4.75% |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation* |

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

## NOTE 3 - PENSION PLAN: (CONTINUED)

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

Mortality rates:

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

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

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

## NOTE 3 - PENSION PLAN: (CONTINUED)

### *Long-Term Expected Rate of Return*

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

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

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

### *Discount Rate*

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

## NOTE 3 - PENSION PLAN: (CONTINUED)

### *Discount Rate: (Continued)*

be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

### *Changes in Net Pension Liability*

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2018 | $ 15,429,619 | $ 14,313,515 | $ 1,116,104 |
| Changes for the year: | | | |
| Service cost | $ 804,213 | $ - | $ 804,213 |
| Interest | 1,053,220 | - | 1,053,220 |
| Differences between expected and actual experience | (605,189) | - | (605,189) |
| Changes of assumptions | 499,094 | - | 499,094 |
| Contributions - employer | - | 731,650 | (731,650) |
| Contributions - employee | - | 298,789 | (298,789) |
| Net investment income | - | 981,078 | (981,078) |
| Benefit payments, including refunds of employee contributions | (767,235) | (767,235) | - |
| Administrative expenses | - | (9,128) | 9,128 |
| Other changes | - | (621) | 621 |
| Net changes | $ 984,103 | $ 1,234,533 | $ (250,430) |
| Balances at June 30, 2019 | $ 16,413,722 | $ 15,548,048 | $ 865,674 |

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

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| Central Virginia Regional Jail Authority Net Pension Liability (Asset) | $ 3,095,910 | $ 865,674 | $ (886,946) |

## NOTE 3 - PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2020, the Authority recognized pension expense of $672,482. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 48,466 | $ 427,227 |
| Changes of assumptions | 344,576 | 7,436 |
| Net difference between projected and actual earnings on pension plan investments | - | 138,048 |
| Employer contributions subsequent to the measurement date | 778,550 | - |
| Total | $ 1,171,592 | $ 572,711 |

$778,550 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | |
|---|---|
| 2021 | $ (8,476) |
| 2022 | (164,371) |
| 2023 | (12,769) |
| 2024 | 5,947 |
| Thereafter | - |

### *Pension Plan Data*

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

## NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS:

| | | |
|---|---|---|
| Federal inmates | $ | 119,086 |
| Participating localities | | 141,456 |
| Commonwealth of Virginia: | | |
| State inmate days | | 263,764 |
| Compensation Board | | 375,914 |
| Total | $ | 900,220 |

## NOTE 5 - CAPITAL ASSETS:

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

| | Balance July 1, 2019 | Increases | Decreases | Balance June 30, 2020 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 175,000 | $ - | $ - | $ 175,000 |
| Total capital assets not being depreciated | $ 175,000 | $ - | $ - | $ 175,000 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | $ 29,329,181 | $ 848,758 | $ - | $ 30,177,939 |
| Vehicles | 535,512 | 65,366 | - | 600,878 |
| Machinery and equipment | 503,935 | 143,573 | - | 647,508 |
| Total capital assets being depreciated | $ 30,368,628 | $ 1,057,697 | $ - | $ 31,426,325 |
| Accumulated depreciation | | | | |
| Buildings and improvements | $ 8,334,888 | $ 858,326 | $ - | $ 9,193,214 |
| Vehicles | 394,439 | 55,158 | - | 449,597 |
| Machinery and equipment | 235,349 | 54,973 | - | 290,322 |
| Total accumulated depreciation | $ 8,964,676 | $ 968,457 | $ - | $ 9,933,133 |
| Total capital assets being depreciated, net | $ 21,403,952 | $ 89,240 | $ - | $ 21,493,192 |
| Net capital assets | $ 21,578,952 | $ 89,240 | $ - | $ 21,668,192 |

Depreciation expense for the fiscal year totaled $968,457.

## NOTE 6 - COMPENSATED ABSENCES:

The Authority accrued the liability arising from outstanding compensated absences. The Authority has outstanding accrued vacation, sick and compensation time pay as summarized below:

| | | |
|---|---|---|
| Compensated absences June 30, 2019 | $ | 577,210 |
| Increase (decrease) during year | | 62,572 |
| Compensated absences June 30, 2020 | $ | 639,782 |
| Less current portion (10%) | | (63,978) |
| Total long-term portion | $ | 575,804 |

## NOTE 7 - SUMMARY OF SPECIAL ACCOUNTS:

A summary of activity from the special accounts at Central Virginia Regional Jail Authority are shown below:

| | Receipts | Disburse-ments | Excess of Revenues over (under) Expenses |
|---|---|---|---|
| Inmate account | $ 1,462,590 | $ 1,456,434 | $ 6,156 |
| Commissary account | 701,696 | 556,628 | 145,068 |
| Work release | 286,864 | 291,341 | (4,477) |
| Inmate medical co-payment | 22,876 | 22,876 | - |
| Donation account | 3,124 | 3,719 | (595) |
| Employee account | 1,029 | 2,773 | (1,744) |
| | $ 2,478,179 | $ 2,333,796 | $ 144,383 |

## NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE:

### Plan Description

The Authority administers a single-employer defined benefit healthcare 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.

Prior to July 1, 2018 grandfathered retirees eligible for the postretirement medical subsidy offered by the Authority receive up to $250 per month toward the retiree's single coverage for health insurance.

## NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE: (CONTINUED)

### Benefits Provided

Participants who are eligible to retire from VRS pension plan are allowed access to the plan until they reach age 65. Retirees pay the blended (employees and retirees) published rate, however as they are older than the typical employee (and thus more expensive) there is a cost to this right to purchase insurance at the blended rate. VRS retirement eligibility is age 50 with 10 years of service or age 55 with 5 years of service for employees hired prior to July 1, 2010 who were vested in the plan prior to July 1, 2013. VRS retirement eligibility is the earlier of age 60 with 5 years of service or 90 combined age and service points for other employees. All employees must meet the service requirements (10 years for age 50 or 5 years for age 55) at the Authority in order to elect post-retirement coverage.

Prior to July 1, 2018 grandfathered retirees eligible for the postretirement medical subsidy offered by the Authority receive up to $250 per month toward the retiree's single coverage for health insurance. This portion of the benefit is closed to future retirees. The subsidy ceases upon eligibility for Medicare.

### Plan Membership

At July 1, 2018 (the valuation date) the following employees were covered by the benefit terms:

| | |
|---|---|
| Total active employees with coverage | 118 |
| Total retirees with coverage | 7 |
| Total | 125 |

### 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 Authority. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2020 was $34,000.

### Total OPEB Liability

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

| | |
|---|---|
| Salary Increases | 3.50% per year as of June 30, 2020 |
| Discount Rate | 3.13% per year as of June 30, 2020 |
| Healthcare Cost Trend Rates | 6.75% for fiscal year end 2020, decreasing 0.25% per year to an ultimate rate of 5.00% |

Mortality rates were based on the RP-2014 Total Dataset with two-dimensional mortality improvements using scale MP-2019.

## NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE: (CONTINUED)

### Discount Rate

The discount rate used to determine the OPEB liability is based on an index rate for 20-year tax exempt General Obligation Municipal Bonds with an average rating of AA/Aa or higher. This rate was 3.13% for the year ended June 30, 2020.

### Changes in Total OPEB Liability

| | | Total OPEB Liability |
|---|---|---|
| Balances at July 1, 2019 | $ | 2,103,000 |
| Changes for the year: | | |
| Service cost | | 321,000 |
| Interest | | 87,000 |
| Difference between expected and actual experience | | (157,000) |
| Changes of assumptions | | 133,000 |
| Benefit payments | | (34,000) |
| Net changes | $ | 350,000 |
| Balances at June 30, 2020 | $ | 2,453,000 |

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

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

| | Rate | |
|---|---|---|
| 1% Decrease (2.13%) | Current Discount Rate (3.13%) | 1% Increase (4.13%) |
| $ 2,765,000 | $ 2,453,000 | $ 2,183,000 |

### 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 or one percentage point higher than the current healthcare cost trend rates:

| | Rates | |
|---|---|---|
| 1% Decrease (5.75%) | Current Trend Rate (6.75%) | 1% Increase (7.75%) |
| $ 2,079,000 | $ 2,453,000 | $ 2,922,000 |

## NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE: (CONTINUED)

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

For the year ended June 30, 2020, the Authority recognized OPEB expense in the amount of $413,000. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resouces | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 137,000 |
| Changes in assumptions | 116,000 | 11,000 |
| Total | $ 116,000 | $ 148,000 |

Employer contributions after the measurement date but prior to fiscal year end will be recognized in OPEB expense in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

| Year Ended June 30 | |
|---|---|
| 2021 | $ (5,000) |
| 2022 | (5,000) |
| 2023 | (5,000) |
| 2024 | (5,000) |
| 2025 | (5,000) |
| Thereafter | (7,000) |

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

## NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

### *Plan Description*

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

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

## NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

### *Eligible Employees*

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

### *Benefit Amounts*

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

### *Contributions*

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were $33,709 and $31,801 for the years ended June 30, 2020 and June 30, 2019, respectively.

## NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

At June 30, 2020, the entity reported a liability of $503,802 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019 the participating employer's proportion was 0.03096% as compared to 0.03136% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of $23,248. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 33,506 | $ 6,536 |
| Net difference between projected and actual earnings on GLI OPEB plan investments | - | 10,348 |
| Changes of assumptions | 31,807 | 15,192 |
| Changes in proportion | 43,416 | 5,337 |
| Employer contributions subsequent to the measurement date | 33,709 | - |
| Total | $ 142,438 | $ 37,413 |

## NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

$33,709 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ended June 30 | | |
|---|---|---|
| 2021 | $ | 13,388 |
| 2022 | | 13,388 |
| 2023 | | 17,771 |
| 2024 | | 14,851 |
| 2025 | | 9,365 |
| Thereafter | | 2,553 |

*Actuarial Assumptions*

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

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

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

## NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

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

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

## NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

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

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

***NET GLI OPEB Liability***

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

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

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

## NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

### *Long-Term Expected Rate of Return*

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

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

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

### *Discount Rate*

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

## NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

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

| | | Rate | |
|---|---|---|---|
| | 1% Decrease | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| Authority's proportionate share of the Group Life Insurance Plan Net OPEB Liability | $ 661,856 | $ 503,802 | $ 375,624 |

***GLI Plan Fiduciary Net Position***

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

## NOTE 10 – SUMMARY OF NET OPEB LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND EXPENSES:

| | Net OPEB Liability | Deferred Outflows | Deferred Inflows | OPEB Expense |
|---|---|---|---|---|
| VRS OPEB Plans: | | | | |
| Group Life Insurance Plan | $ 503,802 | $ 142,438 | $ 37,413 | $ 23,248 |
| Health Insurance | 2,453,000 | 116,000 | 148,000 | 413,000 |
| Totals | $ 2,956,802 | $ 258,438 | $ 185,413 | $ 436,248 |

## NOTE 11 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries insurance.

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

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Authority pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Authority continues to carry commercial insurance for all other risks of losses. For the previous three fiscal years, settled claims from these risks have not exceeded commercial coverage.

## NOTE 12 - LITIGATION, CLAIMS AND ASSESSMENTS:

At June 30, 2020, there were no matters of litigation involving the Authority which would materially affect the Authority 's financial position should any court decisions on pending matters not be favorable.

## NOTE 13 - UPCOMING PRONOUNCEMENTS:

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

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

**- Required Supplementary Information -**

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| **Total pension liability** | | | | | | |
| Service cost | $ 804,213 | $ 865,946 | $ 762,029 | $ 581,496 | $ 575,824 | $ 545,907 |
| Interest | 1,053,220 | 980,638 | 893,861 | 844,981 | 797,368 | 741,951 |
| Differences between expected and actual experience | (605,189) | (22,461) | 441,445 | 39,555 | 943 | - |
| Changes of assumptions | 499,094 | - | (67,718) | - | - | - |
| Benefit payments, including refunds of employee contributions | (767,235) | (807,228) | (772,667) | (762,817) | (625,105) | (367,248) |
| **Net change in total pension liability** | $ 984,103 | $ 1,016,895 | $ 1,256,950 | $ 703,215 | $ 749,030 | $ 920,610 |
| **Total pension liability - beginning** | 15,429,619 | 14,412,724 | 13,155,774 | 12,452,559 | 11,703,529 | 10,782,919 |
| **Total pension liability - ending (a)** | $ 16,413,722 | $ 15,429,619 | $ 14,412,724 | $ 13,155,774 | $ 12,452,559 | $ 11,703,529 |
| | | | | | | |
| **Plan fiduciary net position** | | | | | | |
| Contributions - employer | $ 731,650 | $ 677,651 | $ 656,511 | $ 589,767 | $ 478,419 | $ 552,396 |
| Contributions - employee | 298,789 | 291,602 | 282,792 | 236,532 | 192,167 | 191,799 |
| Net investment income | 981,078 | 983,563 | 1,433,691 | 202,292 | 500,151 | 1,449,183 |
| Benefit payments, including refunds of employee contributions | (767,235) | (807,228) | (772,667) | (762,817) | (625,105) | (367,248) |
| Administrative expense | (9,128) | (8,209) | (7,968) | (6,928) | (6,714) | (7,428) |
| Other | (621) | (888) | (1,288) | (85) | (107) | 76 |
| **Net change in plan fiduciary net position** | $ 1,234,533 | $ 1,136,491 | $ 1,591,071 | $ 258,761 | $ 538,811 | $ 1,818,778 |
| **Plan fiduciary net position - beginning** | 14,313,515 | 13,177,024 | 11,585,953 | 11,327,192 | 10,788,381 | 8,969,603 |
| **Plan fiduciary net position - ending (b)** | $ 15,548,048 | $ 14,313,515 | $ 13,177,024 | $ 11,585,953 | $ 11,327,192 | $ 10,788,381 |
| | | | | | | |
| **Authority's net pension liability - ending (a) - (b)** | $ 865,674 | $ 1,116,104 | $ 1,235,700 | $ 1,569,821 | $ 1,125,367 | $ 915,148 |
| | | | | | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | 94.73% | 92.77% | 91.43% | 88.07% | 90.96% | 92.18% |
| | | | | | | |
| **Covered payroll** | $ 6,042,510 | $ 5,925,880 | $ 5,735,912 | $ 4,779,876 | $ 3,875,864 | $ 3,818,334 |
| | | | | | | |
| **Authority's net pension liability as a percentage of covered payroll** | 14.33% | 18.83% | 21.54% | 32.84% | 29.04% | 23.97% |

This schedule is intended to report information for 10 years. 2014 is the first year available for this presentation. Additional years will be included as they become available.

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

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Employee Payroll | Contributions as a % of Covered Employee Payroll |
|---|---|---|---|---|---|
| 2020 | $ 778,550 | $ 778,550 | $ - | $ 6,429,371 | 12.11% |
| 2019 | 731,650 | 731,650 | - | 6,042,510 | 12.11% |
| 2018 | 678,087 | 678,087 | - | 5,925,880 | 11.44% |
| 2017 | 656,510 | 656,510 | - | 5,735,912 | 11.45% |
| 2016 | 592,227 | 592,227 | - | 4,779,876 | 12.39% |
| 2015 | 478,419 | 478,419 | - | 3,875,864 | 12.34% |
| 2014 | 552,513 | 552,513 | - | 3,818,334 | 14.47% |
| 2013 | 519,032 | 519,032 | - | 3,586,951 | 14.47% |
| 2012 | 375,929 | 375,929 | - | 3,368,541 | 11.16% |
| 2011 | 379,002 | 379,002 | - | 3,396,075 | 11.16% |

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

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

**CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY**

Schedule of Changes in Total OPEB Liability - Health Insurance
For the Years Ended June 30, 2019 and June 30, 2020

| | 2020 | 2019 |
|---|---|---|
| **Total OPEB liability** | | |
| Service cost | $ 321,000 | $ 310,000 |
| Interest | 87,000 | 73,000 |
| Changes in assumptions | 133,000 | (15,000) |
| Differences between expected and actual experience | (157,000) | - |
| Benefit payments | (34,000) | (25,000) |
| **Net change in total OPEB liability** | $ 350,000 | $ 343,000 |
| **Total OPEB liability - beginning** | 2,103,000 | 1,760,000 |
| **Total OPEB liability - ending (a)** | $ 2,453,000 | $ 2,103,000 |
| **Covered payroll** | $ 5,225,000 | $ 5,225,000 |
| **Total OPEB liability as a percentage of covered payroll** | 46.95% | 40.25% |

This schedule is intended to show information for 10 years. However, information prior to 2019 is not available. Additional years will be included as they become available.

Valuation Date: July 1, 2018
Measurement Date: July 1, 2019

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

*Methods and assumptions used to determine OPEB liability:*

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Discount Rate | 3.13% as of June 30, 2020. |
| Healthcare Trend Rates | 6.75% for fiscal year end 2020, decreasing 0.25% per year to an ultimate rate of 5.00% |
| Salary Increase Rates | 3.50% as of June 30, 2020. |
| Mortality Rates | RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019. |

**CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY**

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

| Date | Employer's Proportion of the Net GLI OPEB Liability | Employer's Proportionate Share of the Net GLI OPEB Liability | Employer's Covered Payroll | Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability |
|---|---|---|---|---|---|
| 2019 | 0.03096% | $ 503,802 | $ 6,042,510 | 8.34% | 52.00% |
| 2018 | 0.03136% | 476,000 | 5,925,880 | 8.03% | 51.22% |
| 2017 | 0.03138% | 472,000 | 5,735,912 | 8.23% | 48.86% |

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

**CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY**

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

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| 2020 | $ 33,709 | $ 33,709 | $ - | $ 6,482,480 | 0.52% |
| 2019 | 31,801 | 31,801 | - | 6,042,510 | 0.53% |
| 2018 | 31,010 | 31,010 | - | 5,925,880 | 0.52% |
| 2017 | 29,000 | 29,000 | - | 5,735,912 | 0.51% |
| 2016 | 25,444 | 25,444 | - | 4,779,876 | 0.53% |
| 2015 | 20,530 | 20,530 | - | 3,875,864 | 0.53% |
| 2014 | 20,324 | 20,324 | - | 3,818,334 | 0.53% |
| 2013 | 18,990 | 18,990 | - | 3,586,951 | 0.53% |
| 2012 | 14,822 | 14,822 | - | 3,368,541 | 0.44% |
| 2011 | 14,943 | 14,943 | - | 3,396,075 | 0.44% |

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

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

**Non-Largest Ten Locality Employers - General Employees**

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

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

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

## - Other Supplementary Information -

## CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY

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

| | Budgeted Amounts | | | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| Operating Revenues: | | | | |
| Revenue from local sources: | | | | |
| Contributions from participating localities: | | | | |
| County of Greene | $ 1,328,261 | $ 1,328,261 | $ 1,328,261 | $ - |
| County of Fluvanna | 1,242,349 | 1,242,349 | 1,242,349 | - |
| County of Orange | 2,253,073 | 2,253,073 | 2,253,073 | - |
| County of Madison | 838,059 | 838,059 | 838,059 | - |
| County of Louisa | 2,760,962 | 2,760,962 | 2,760,962 | - |
| Other jurisdictions per diem | - | - | 4,050 | 4,050 |
| Phone commissions | - | - | 97,674 | 97,674 |
| E-messages commissions | - | - | 5,680 | 5,680 |
| Charges to prisoners - EIP / Work release | 145,000 | 145,000 | 91,246 | (53,754) |
| Recovered medical costs | - | - | 136,597 | 136,597 |
| Miscellaneous income | 86,290 | 86,290 | 109,165 | 22,875 |
| Total revenue from local sources | $ 8,653,994 | $ 8,653,994 | $ 8,867,116 | $ 213,122 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Reimbursement of salaries and fringes | $ 4,291,128 | $ 4,291,128 | $ 4,384,126 | $ 92,998 |
| Expenditure refunds | 50,000 | 50,000 | - | (50,000) |
| State inmate days | 851,152 | 851,152 | 844,968 | (6,184) |
| Total revenue from the Commonwealth | $ 5,192,280 | $ 5,192,280 | $ 5,229,094 | $ 36,814 |
| Revenue from Federal Government: | | | | |
| Inmate reimbursement | $ 600,000 | $ 600,000 | $ 1,447,759 | $ 847,759 |
| Total revenue from the Federal Government | $ 600,000 | $ 600,000 | $ 1,447,759 | $ 847,759 |
| Total operating revenues | $ 14,446,274 | $ 14,446,274 | $ 15,543,969 | $ 1,097,695 |
| Operating Expenses: | | | | |
| Public Safety: | | | | |
| Salaries | $ 6,836,906 | $ 6,836,906 | $ 6,571,638 | $ 265,268 |
| Salaries - Commissary Officer | 29,596 | 29,596 | 20,331 | 9,265 |
| Salaries - Overtime | 259,000 | 259,000 | 446,103 | (187,103) |
| Unemployment | 6,000 | 6,000 | 85 | 5,915 |
| FICA | 545,101 | 545,101 | 516,897 | 28,204 |
| VRS | 846,321 | 846,321 | 679,605 | 166,716 |
| Health Insurance | 1,986,699 | 1,986,699 | 2,043,833 | (57,134) |
| Retiree Health Insurance Credit | 21,000 | 21,000 | 20,942 | 58 |
| Group Life Insurance | 89,563 | 89,563 | 74,501 | 15,062 |
| Workers' Compensation | 158,493 | 158,493 | 121,922 | 36,571 |
| Hybrid Disability Insurance | 6,137 | 6,137 | 3,951 | 2,186 |
| LODA | 30,750 | 30,750 | 31,320 | (570) |
| Outside Medical, Dental and Hospital Claims | 615,000 | 615,000 | 647,047 | (32,047) |

CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY

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

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual | Variance with Final Budget- Positive (Negative) |
|---|---|---|---|---|
| Operating Expenses: (Continued) | | | | |
| Public Safety: (Continued) | | | | |
| Physician | $ 100,000 | $ 100,000 | $ 142,000 | $ (42,000) |
| Dentist | 65,000 | 65,000 | 64,167 | 833 |
| Psychologist / RRCSB | 83,200 | 83,200 | 80,000 | 3,200 |
| Employee Medical Assessments | 2,500 | 2,500 | 2,363 | 137 |
| Psychiatrist | 80,000 | 80,000 | 64,150 | 15,850 |
| Medical - DOC Responsible Inmates | 50,000 | 50,000 | 1,763 | 48,237 |
| Laboratory and X-ray Services | 42,000 | 42,000 | 42,652 | (652) |
| Auditor | 15,000 | 15,000 | 20,711 | (5,711) |
| PREA Audit | 8,000 | 8,000 | 5,283 | 2,717 |
| Financial - 5 Year Plan | 7,000 | 7,000 | 6,000 | 1,000 |
| Consultant - Medicaid | - | - | 815 | (815) |
| Legal Services | 20,000 | 20,000 | 17,500 | 2,500 |
| Litigation | 65,000 | 65,000 | - | 65,000 |
| General Assembly Representation | 20,000 | 20,000 | 16,013 | 3,987 |
| Data Processing | 20,000 | 20,000 | 17,892 | 2,108 |
| Community Corrections | 75,000 | 75,000 | 75,000 | - |
| Communications / IT Service Contracts | 16,636 | 16,636 | 47,762 | (31,126) |
| OAR - CIT Training | 2,500 | 2,500 | 2,500 | - |
| Interpreter Services | 3,750 | 3,750 | - | 3,750 |
| Basic and In-Service Training - RRCJA | 58,000 | 58,000 | 54,683 | 3,317 |
| Repairs & Maint / Building and Grounds | 38,000 | 38,000 | 26,681 | 11,319 |
| Outside Repairs - EDP Equipment | 1,500 | 1,500 | 63 | 1,437 |
| Repairs & Maintenance - Vehicles | 12,500 | 12,500 | 14,726 | (2,226) |
| Repairs & Maint - Equipment | 4,500 | 4,500 | - | 4,500 |
| Maintenance Contracts - Bldg & Grounds | 63,780 | 63,780 | 42,451 | 21,329 |
| Maintenance Contracts - Office Equipment | 4,300 | 4,300 | 2,174 | 2,126 |
| Maintenance Contracts - Copier - Work Release | 1,000 | 1,000 | - | 1,000 |
| EMR Maintenance Contract | 17,400 | 17,400 | - | 17,400 |
| Extermination Services | 4,000 | 4,000 | 3,203 | 797 |
| Infectious Waste Removal | 2,500 | 2,500 | - | 2,500 |
| Refuse Collection | 8,250 | 8,250 | 15,270 | (7,020) |
| Printing and Binding Services - Admin | 2,000 | 2,000 | 5,855 | (3,855) |
| Printing and Binding Services - Training | 1,000 | 1,000 | - | 1,000 |
| Printing and Binding Services - Security | 7,500 | 7,500 | - | 7,500 |
| Printing and Binding Services - Work Release | 2,500 | 2,500 | - | 2,500 |
| Medical Forms | 1,000 | 1,000 | - | 1,000 |
| Advertising - Admin | 500 | 500 | 10,692 | (10,192) |
| Advertising - Training | 4,000 | 4,000 | - | 4,000 |
| Electricity/Heating | 355,000 | 355,000 | 309,548 | 45,452 |
| Water/Sewer | 170,000 | 170,000 | 146,000 | 24,000 |
| Postage | 5,000 | 5,000 | 8,186 | (3,186) |
| Telecommunications | 25,000 | 25,000 | 22,507 | 2,493 |
| Insurance - Boiler and Machinery | 4,000 | 4,000 | 2,972 | 1,028 |
| Insurance - General and Increased Liability Limits | 1,000 | 1,000 | 494 | 506 |
| Insurance - Inland Marine | 1,000 | 1,000 | 894 | 106 |
| Insurance - Vehicles | 9,850 | 9,850 | 9,849 | 1 |

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

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual | Variance with Final Budget- Positive (Negative) |
|---|---|---|---|---|
| Operating Expenses: (Continued) | | | | |
| Public Safety: (Continued) | | | | |
| Insurance - Public Officials Liability | $ 3,500 | $ 3,500 | $ 2,920 | $ 580 |
| Insurance - Law Enforcement Liability | 500 | 500 | - | 500 |
| Insurance - General Property | 26,000 | 26,000 | 19,921 | 6,079 |
| Insurance - Accident Inmate | 4,000 | 4,000 | 3,750 | 250 |
| Lease - Office Equipment | 5,000 | 5,000 | 7,713 | (2,713) |
| Lease - EIP Equipment | 2,400 | 2,400 | 2,049 | 351 |
| Lease - Office Equipment - Work Release | 1,200 | 1,200 | - | 1,200 |
| Tolls | 100 | 100 | 110 | (10) |
| Meals and Lodging - Admin | 2,500 | 2,500 | - | 2,500 |
| Meals and Lodging - IT | 1,000 | 1,000 | - | 1,000 |
| Meals, Lodging, Meals Academy - Training | 28,760 | 28,760 | 12,766 | 15,994 |
| Meals and Lodging - Medical | 3,500 | 3,500 | - | 3,500 |
| Meals and Lodging - Food Services | 1,000 | 1,000 | - | 1,000 |
| Meals and Lodging - Work Release | 1,000 | 1,000 | - | 1,000 |
| Conventions and Education - Admin | 2,500 | 2,500 | - | 2,500 |
| Conventions and Education - IT | 1,500 | 1,500 | - | 1,500 |
| Conventions, Seminars, Education, Recertifications | 20,000 | 20,000 | 16,094 | 3,906 |
| Conventions and Education - Medical | 5,000 | 5,000 | - | 5,000 |
| Conventions and Education - Food Services | 5,400 | 5,400 | - | 5,400 |
| Conventions and Education - Work Release | 1,500 | 1,500 | - | 1,500 |
| Contributions | 1,500 | 1,500 | 250 | 1,250 |
| Dues and Memberships | 2,500 | 2,500 | 3,602 | (1,102) |
| Permits, Fees and Licenses - Medical | 1,000 | 1,000 | - | 1,000 |
| Permits, Fees and Licenses - Food Services | 1,500 | 1,500 | 1,825 | (325) |
| Bank Service Charges | - | - | 993 | (993) |
| Contingencies | 64,000 | 64,000 | 40,808 | 23,192 |
| Office Supplies | 18,000 | 18,000 | 18,174 | (174) |
| EDP Supplies | 20,000 | 20,000 | 16,279 | 3,721 |
| Disposable Products - Food Services | 10,950 | 10,950 | 7,892 | 3,058 |
| Medical Supplies and Pharmaceuticals | 300,000 | 300,000 | 312,639 | (12,639) |
| Food and Beverages | 702,625 | 702,625 | 728,907 | (26,282) |
| Janitorial and Laundry Supplies - Security | 70,000 | 70,000 | 80,909 | (10,909) |
| Janitorial and Kitchen Cleaning Supplies | 19,950 | 19,950 | - | 19,950 |
| Linen Supplies | 58,600 | 58,600 | 43,721 | 14,879 |
| Kitchen Linens | 1,500 | 1,500 | - | 1,500 |
| Maintenance and Supplies - Building | 59,200 | 59,200 | 59,166 | 34 |
| Fuel - Vehicles | 30,000 | 30,000 | 22,578 | 7,422 |
| Fuel - Generators / Power Equipment | 16,000 | 16,000 | - | 16,000 |
| Supplies - Vehicles | 5,000 | 5,000 | 4,953 | 47 |
| Supplies - Power Equipment | 1,500 | 1,500 | - | 1,500 |
| Security Supplies - Training | 22,730 | 22,730 | 53,220 | (30,490) |
| Security Supplies | 47,725 | 47,725 | - | 47,725 |
| Supplies for Booking | 500 | 500 | - | 500 |
| Educational / Recreational | 7,000 | 7,000 | - | 7,000 |
| Uniforms - Training | 86,050 | 86,050 | 38,848 | 47,202 |
| Uniforms - Nurses | 3,000 | 3,000 | - | 3,000 |

CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY

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

| | Budgeted Amounts | | | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| Operating Expenses: (Continued) | | | | |
| Public Safety: (Continued) | | | | |
| Uniforms - Staff | 3,500 | 3,500 | - | 3,500 |
| Uniforms - Inmates | 35,800 | 35,800 | 56,550 | (20,750) |
| Uniforms and Protective Wear - Inmates - Foods Serv. | $ 2,500 | $ 2,500 | $ - | $ 2,500 |
| Books and Subscriptions - Admin | 3,200 | 3,200 | 2,893 | 307 |
| Books and Subscriptions - IT | 500 | 500 | - | 500 |
| Books and Subscriptions - Medical | 1,000 | 1,000 | - | 1,000 |
| Education Supplies - Classroom | 2,000 | 2,000 | 3,958 | (1,958) |
| Food Services Prep Supplies | 4,000 | 4,000 | 2,261 | 1,739 |
| Religious / Recovery Programs | 4,877 | 4,877 | 4,125 | 752 |
| Medical Supplies | 100,000 | 100,000 | 84,318 | 15,682 |
| Emergency Relief Supplies | - | - | 430 | (430) |
| Machinery, Equipment, Power Tools - Bldgs / Ground | 5,000 | 5,000 | 3,664 | 1,336 |
| Furniture and Fixtures - Admin | 2,000 | 2,000 | 6,986 | (4,986) |
| Furniture and Fixtures - Training | 2,500 | 2,500 | - | 2,500 |
| Furniture and Fixtures - Security | 1,000 | 1,000 | - | 1,000 |
| Furniture and Fixtures - Medical | 1,000 | 1,000 | - | 1,000 |
| Furniture and Fixtures - Work Release | 2,000 | 2,000 | - | 2,000 |
| EDP Equipment - Replace | 22,300 | 22,300 | 11,335 | 10,965 |
| Food Services Equipment / Dinnerware - Replace | 7,500 | 7,500 | 3,424 | 4,076 |
| EDP Equipment - Additional | 26,428 | 26,428 | 19,635 | 6,793 |
| Food Services Equipment / Dinnerware - New | 9,000 | 9,000 | 4,889 | 4,111 |
| Machinery and Equipment New | 23,500 | 23,500 | 15,230 | 8,270 |
| Renovations - Northside Plumbing | 850,000 | 850,000 | - | 850,000 |
| Machinery and Equipment - Replacement | 147,000 | 147,000 | - | 147,000 |
| Communication Equipment - Replacement | 15,000 | 15,000 | 14,922 | 78 |
| Motor Vehicles - Replacement | 70,000 | 70,000 | - | 70,000 |
| Buildings and Grounds Capital Improvements | 22,200 | 22,200 | 17,611 | 4,589 |
| Depreciation | - | - | 968,457 | (968,457) |
| Total operating expenses | $ 15,942,227 | $ 15,942,227 | $ 15,181,769 | $ 760,458 |
| Operating income (loss) | $ (1,495,953) | $ (1,495,953) | $ 362,200 | $ 1,858,153 |
| Nonoperating Revenues (Expenses): | | | | |
| Interest income | $ 20,000 | $ 20,000 | $ 105,543 | $ 85,543 |
| Total nonoperating revenues (expenses) | $ 20,000 | $ 20,000 | $ 105,543 | $ 85,543 |
| Income (loss) | $ (1,475,953) | $ (1,475,953) | $ 467,743 | $ 1,943,696 |
| Change in net position | $ (1,475,953) | $ (1,475,953) | $ 467,743 | $ 1,943,696 |
| Net position, beginning of year | 1,475,953 | 1,475,953 | 30,609,400 | 29,133,447 |
| Net position, end of year | $ - | $ - | $ 31,077,143 | $ 31,077,143 |

**- Compliance -**

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants
CPAs | Consultants

## Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**To the Honorable Member of**
**Central Virginia Regional Jail Authority**
**Orange, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the aggregate remaining fund information of Central Virginia Regional Jail Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Central Virginia Regional Jail Authority's basic financial statements and have issued our report thereon dated December 7, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Virginia Regional Jail Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Virginia Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Virginia 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 Central Virginia Regional Jail Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 7, 2020