NORTHWESTERN REGIONAL JAIL AUTHORITY

WINCHESTER, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

NORTHWESTERN REGIONAL JAIL AUTHORITY

Winchester, Virginia

Financial Report
Year Ended June 30, 2020

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- INTRODUCTORY SECTION -

Northwestern Regional Adult Detention Center

James F. Whitley - Superintendent

141 Fort Collier Road, Winchester, VA 22603
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December 28, 2020

Northwestern Regional Jail Authority
Regional Adult Detention Center
141 Fort Collier Road
Winchester, VA 22603

Dear Jail Authority Members:

The Northwestern Regional Adult Detention Center Annual Financial Report for fiscal year 2020 is attached. To the best of our knowledge the data is accurate and accurately represents the financial position of the Regional Adult Detention Center in a fair and objective manner.

Beginning with the June 30, 2002 Comprehensive Financial Statement, Frederick County, Virginia implemented Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB Statement Number 34 requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). The Detention Center complies with the provisions of the Standard as a government entity under Frederick County, the Center's fiscal agent. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

THE REPORTING ENTITY

The Northwestern Regional Adult Detention Center is a regional governmental agency, with representation from each participating jurisdiction, and is considered to be a jointly governed organization.

ECONOMIC CONDITIONS AND OUTLOOK

The Northwestern Regional Adult Detention Center is located in the Fort Collier Industrial Park, just northwest of Winchester, Virginia. Situated on a 33-acre parcel of land, the Detention Center complex consists of a Main Jail, an Annex Facility and a Community Corrections Center.

Northwestern Regional Adult Detention Center

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Detention Center operations are funded by the four (4) participating jurisdictions based upon their individual utilization of facility beds over the three (3) previous complete years. Local contributions are augmented by state assistance in the area of salaries and inmate per diem. In addition, some fees are collected from inmates and their associated activities.

Detention Center expenses have increased in part to the rising inmate population, causing the Annex building to be re-opened after being closed for a number of years. The opening of that building required an increase in Overtime and the need for more Correctional Officers to operate effectively, causing increases each year in the contributions required of the participating jurisdictions.

FINANCIAL INFORMATION

Frederick County serves as the Jail's Fiscal Agent and the Jail's activities are included in the County's annual appropriated budget. The facility's internal control structure consists of a Captain of Administrative Services, with three accounting personnel, who oversee accounting operations and report financial data to Frederick County, the State of Virginia, and the Regional Jail Authority.

Open encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances generally are re-appropriated as part of the following year's budget.

The Captain of Administrative Services oversees Inmate and Commissary Funds, and exercises control of the Inmate Benefit Program. Inmate funds include all monies accrued by inmates for their personal use, i.e. payment of their outside bills; family support; commissary purchases; and their telephone calls.

Commissary funds are profits accrued from inmate commissary purchases and are used to benefit inmates and their activities. These benefits include communal newspapers, television, microwaves, books, law library materials, games, sports equipment, exercise equipment, special rewards, programs designed to train, inform, or educate inmates, and a myriad of other programs.

Northwestern Regional Adult Detention Center

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ACKNOWLEDGEMENTS

The sound financial condition enjoyed by the Regional Detention Center results, in part, from the dedication and commitment of the Detention Center accounting staff, the Frederick County Finance Department, the Regional Jail Authority, and the support of the participating jurisdictions and their governing bodies.

Respectfully,

James F. Whitley
Superintendent

"Serving the Criminal Justice System Since 1991"

- FINANCIAL SECTION -

Independent Auditors' Report

To the Members of the Board
Northwestern Regional Jail Authority
Winchester, Virginia

Report on the Financial Statements

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-6 and 34-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Northwestern Regional Jail Authority's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

Report on Summarized Comparative Information

We have previously audited Northwestern Regional Jail Authority's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2020, on our consideration of Northwestern 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 Northwestern 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 Northwestern Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 30, 2020

The following is a discussion and analysis of Northwestern Regional Jail Authority's financial performance for the fiscal year ended June 30, 2020. This information is in conjunction with the Superintendent's transmittal letter and included with the annual audit report.

Financial Highlights:

Accrual Basis Statements

At the end of the fiscal year, Northwestern Regional Jail Authority ("the Authority") reported an ending net position balance of $13,125,456, an increase of $589,444 from the prior year. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial health of the Authority is improving or deteriorating.

The Authority holds long-term debt of $14,497,684, consisting of Revenue Bonds payable in annual installments for 20 years and VRA Bonds payable in annual installments for 15 years. The Authority also has a net pension liability of $7,532,316 and a net OPEB liability of $1,221,071.

The following table shows a summary of the Statement of Net Position:

Table 1
Summary of Statement of Net Position
At June 30, 2020 and June 30, 2019

	June 30, 2020	June 30, 2019
Current assets	$ 11,590,528	$ 10,336,774
Capital assets	23,205,113	24,471,419
Total assets	$ 34,795,641	$ 34,808,193
Deferred outflows of resources	$ 4,897,736	$ 3,470,780
Total assets and deferred outflows	$ 39,693,377	$ 38,278,973
Current liabilities	$ 2,341,714	$ 2,324,813
Noncurrent liabilities	23,258,587	22,302,643
Total liabilities	$ 25,600,301	$ 24,627,456
Deferred inflows of resources	$ 967,620	$ 1,115,505
Net investment in capital assets	$ 9,305,815	$ 9,474,199
Unrestricted	3,819,641	3,061,813
Total net position	$ 13,125,456	$ 12,536,012
Total liabilities, deferred inflows, and net position	$ 39,693,377	$ 38,278,973

Modified Accrual and Budgetary Audit Statements

At the end of the fiscal year, the Authority reported an ending fund balance of $10,722,490, an increase of $1,281,405.

Overview:

Comparison of revenues and expenses from fiscal year 2019 to 2020 provide the following information:

Accrual Basis Statements

- Fiscal year 2020 revenues were $23,041,736; fiscal year 2020 expenses were $22,452,292, which included $1,437,318 of depreciation expense, which is a noncash expense.

- Fiscal year 2019 revenues were $21,636,935; fiscal year 2019 expenses were $21,162,686, which included $1,405,757 of depreciation expense, which is a noncash expense.

The following table shows a summary of the Statement of Revenues, Expenses, and Changes in Net Position:

Table 2
Summary of Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and June 30, 2019

	June 30, 2020	June 30, 2019
Local and other per diems	$ 12,696,715	$ 12,962,367
Commonwealth of Virginia jail costs	1,223,497	1,262,517
Other operating revenues	1,197,015	1,079,496
Commonwealth of Virginia State Compensation Board	5,819,961	5,596,561
Other nonoperating revenues	867,979	735,994
Capital contributions	1,236,569	-
Total revenues	$ 23,041,736	$ 21,636,935
Personnel and fringes	$ 16,451,186	$ 14,937,243
Other operating expenses	5,518,459	5,717,284
Other nonoperating expenses	482,647	508,159
Total expenses	$ 22,452,292	$ 21,162,686
Change in net position	$ 589,444	$ 474,249
Net position, beginning of year	12,536,012	12,061,763
Net position, end of year	$ 13,125,456	$ 12,536,012

Modified Accrual and Budgetary Basis Statements

- In fiscal year 2020, the Authority's revenues were $23,041,736, an increase of $1,404,801 from 2019 revenues of $21,636,935.

- In fiscal year 2020, the Authority's expenditures were $21,760,331 a decrease of $654,812 from 2019 expenditures of $22,415,143.

- In fiscal year 2020, the Authority's revenues of $23,041,736 were over expenditures of $21,760,331 by $1,281,405.

Budgetary Overview

In fiscal year 2020, the Authority's revenues of $23,041,736 exceeded budgeted revenues of $21,250,432 by $1,791,304. The Authority's expenditures of $21,760,331 were under budgeted expenditures of $23,425,535 by $1,665,204.

Additional Analysis

Applying the annual inmate average daily population (ADP) rate to expenditures, an average per annum was derived for fiscal year 2019 and 2020 for comparison. With an ADP of 613 inmates per day in FY18, the per annum cost per inmate was approximately $36,566. In FY20, the ADP was 552 and the per annum cost increased to approximately $39,421.

There was an increase in FY20 in the number of Out of Compliance inmates occupying beds in the Authority. Out of Compliance inmates, those state responsible inmates remaining in local custody 90 or more days after sentencing, increased from an average of 123 individuals in FY19 to 151 in FY20.

As occurred in FY19, fluctuations in the jurisdiction's use of the Authority over the previous three (3) years created changes in the distribution of locality shares. Frederick County's share of the cost of operations decreased from 40.23% in FY19 to 40.11% in FY20. Clarke County's share decreased from 4.13% to 3.73%, Fauquier County's share increased from 18.13% to 18.27%, and Winchester's share increased from 37.51% to 37.89%.

The Frederick County Government (fiscal agent) application and method of determining capital assets changed in 2003 to include only those capital equipment expenses exceeding $5,000. Capital assets, net of accumulated depreciation, decreased from FY19 to FY20 due to current year depreciation. See Note 5 for details.

FY2020 assets	$23,205,113	FY2019 assets	$24,471,419

The long-term liabilities indicated in the audit are bonds payable and reserves held for payment of accrued compensated absences, net OPEB liability, and net pension liability less deferred charge on refunding. These liabilities increased from FY19 to FY20, due to the increase in the net pension liability. See Note 6 for details.

FY2020 accrual	$24,732,263	FY2018 accrual	$23,731,767

Additional information contained in this report applies to funds held for inmates and canteen operations. Northwestern Regional Jail Authority is the fiduciary custodian of all funds received from inmates or on behalf of inmates. Such funds are deposited and controlled on behalf of the inmate. Accountability methods adhere to generally accepted accounting practices and are subject to annual audit. Practical internal controls are established in the form of clearly detailed policies and procedures that provide a system of checks and balances to protect fiduciary funds from theft or fraud.

- Basic Financial Statements -

NORTHWESTERN REGIONAL JAIL AUTHORITY

Statement of Net Position
At June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,447,985	$ 9,204,837
Accounts receivable	362,286	309,905
Due from other governments	780,257	822,032
Total current assets	$ 11,590,528	$ 10,336,774
Noncurrent assets:		
Land and construction in progress	$ 600,375	$ 600,375
Other capital assets, net of accumulated depreciation	22,604,738	23,871,044
Net capital assets	$ 23,205,113	$ 24,471,419
Total assets	$ 34,795,641	$ 34,808,193
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	$ 598,386	$ 644,416
OPEB deferrals	302,891	184,514
Pension deferrals	3,996,459	2,641,850
Total deferred outflows of resources	$ 4,897,736	$ 3,470,780
Total assets and deferred outflows of resources	$ 39,693,377	$ 38,278,973
LIABILITIES		
Current liabilities:		
Accounts payable	$ 868,038	$ 895,689
Compensated absences, current portion	296,238	276,305
Bonds payable, current portion	1,096,250	1,052,500
Bond premium, current portion	81,188	100,319
Total current liabilities	$ 2,341,714	$ 2,324,813
Noncurrent liabilities:		
Compensated absences, less current portion	$ 1,184,954	$ 1,105,218
Bonds payable, less current portion	13,021,250	14,117,500
Bond premium, less current portion	298,996	371,317
Net OPEB liability	1,221,071	1,115,552
Net pension liability	7,532,316	5,593,056
Total noncurrent liabilities	$ 23,258,587	$ 22,302,643
Total liabilities	$ 25,600,301	$ 24,627,456
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	$ 889,879	$ 1,012,583
OPEB deferrals	77,741	102,922
Total deferred inflows of resources	$ 967,620	$ 1,115,505
NET POSITION		
Net investment in capital assets	$ 9,305,815	$ 9,474,199
Unrestricted	3,819,641	3,061,813
Total net position	$ 13,125,456	$ 12,536,012
Total liabilities, deferred inflows of resources, and net position	$ 39,693,377	$ 38,278,973

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Operating revenues:		
Care of prisoners:		
Local and other per diems	$ 12,696,715	$ 12,962,367
Commonwealth of Virginia jail costs	1,223,497	1,262,517
Federal	2,199	1,998
Work release	343,535	362,240
Other	851,281	715,258
Total operating revenues	$ 15,117,227	$ 15,304,380
Operating expenses:		
Personnel	$ 10,770,831	$ 10,608,550
Fringes	5,680,355	4,328,693
Contractual	1,137,820	1,578,603
Other charges	2,943,321	2,732,924
Depreciation	1,437,318	1,405,757
Total operating expenses	$ 21,969,645	$ 20,654,527
Net operating income (loss)	$ (6,852,418)	$ (5,350,147)
Nonoperating revenues (expenses):		
Commonwealth of Virginia State Compensation Board	$ 5,819,961	$ 5,596,561
Other State grants	612,983	531,657
Coronavirus Relief Fund	84,047	-
Interest income	170,949	204,337
Interest expense	(482,647)	(508,159)
Net nonoperating revenues (expenses)	$ 6,205,293	$ 5,824,396
Income (loss) before capital contributions	$ (647,125)	$ 474,249
Capital contributions	$ 1,236,569	$ -
Change in net position	$ 589,444	$ 474,249
Net position, beginning of year	12,536,012	12,061,763
Net position, end of year	$ 13,125,456	$ 12,536,012

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Receipts from customers	$ 15,106,621	$ 15,091,429
Payments to suppliers	(4,108,792)	(3,870,051)
Payments to and for employees	(15,927,609)	(15,637,234)
Net cash flows provided by (used for) operating activities	$ (4,929,780)	$ (4,415,856)
Cash flows from noncapital and related financing activities:		
Government grants	$ 6,516,991	$ 6,128,218
Cash flows from capital and related financing activities:		
Purchase of capital assets	$ (171,012)	$ (891,434)
Capital contributions	1,236,569	-
Principal payments on debt	(1,052,500)	(1,012,500)
Interest paid on debt	(528,069)	(562,448)
Net cash flows provided by (used for) capital and related financing activities	$ (515,012)	$ (2,466,382)
Cash flows from investing activities:		
Interest income	$ 170,949	$ 204,337
Net increase (decrease) in cash and cash equivalents	$ 1,243,148	$ (549,683)
Cash and cash equivalents, beginning of year	9,204,837	9,754,520
Cash and cash equivalents, end of year	$ 10,447,985	$ 9,204,837
Reconciliation of net operating income (loss) to net cash provided by (used for) operating activities:		
Net operating income (loss)	$ (6,852,418)	$ (5,350,147)
Adjustments to reconcile net operating income (loss) to cash used in operating activities:		
Depreciation	1,437,318	1,405,757
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable and due from other governments	(10,606)	(212,951)
Pension deferrals - deferred outflows	(1,354,609)	(639,781)
OPEB deferrals - deferred outflows	(118,377)	(67,217)
Accounts payable	(27,651)	441,476
Compensated absences	99,669	(31,206)
Net pension liability	1,939,260	487,106
Net OPEB liability	105,519	6,449
OPEB deferrals - deferred inflows	(25,181)	(20,350)
Pension deferrals - deferred inflows	(122,704)	(434,992)
Net cash flows provided by (used for) operating activities	$ (4,929,780)	$ (4,415,856)

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

NOTE 1 – FINANCIAL REPORTING ENTITY:

Northwestern Regional Jail Authority ("the Authority") was organized on May 26, 2005 pursuant to provisions of Chapter 3 of Title 53.1 of the Code of Virginia (1950), as amended. The Authority serves as a regional jail for the Counties of Clarke, Fauquier, and Frederick and the City of Winchester. The Authority is considered a jointly governed organization of the participant localities. The Authority is the successor organization to the former Clarke, Fauquier, Frederick, Winchester Regional Adult Detention Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation:

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

1. Basis of Accounting:

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

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

2. Cash and Cash Equivalents:

   Cash and cash equivalents are reported at cost, which approximates market value. Cash and cash equivalents include cash on hand, checking and savings accounts, and short-term, highly liquid investments (including repurchase agreements) with maturities of three months or less from the date of acquisition. The Authority maintains cash accounts with financial institutions in accordance with the Virginia Security for Public Deposits Act of the Code of Virginia. The Act requires financial institutions to meet specific collateralization requirements.

3. 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.

4. Capital Assets:

   Capital assets are recorded at cost. Donated capital assets are recorded at their acquisition value at the date of gift. The Authority's capitalization threshold is $5,000.

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

4. Capital Assets: (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Costs of construction include legal, bond and loan closing costs, plus interest costs less interest earned on construction funds during the period of construction. There was no interest capitalized during the year.

Depreciation is provided using the straight-line method over the estimated useful lives of each asset class as follows:

Building and improvements	40 to 50 years
Equipment	5 to 10 years
Vehicles	5 to 7 years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

5. Compensated Absences:

The Authority's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service. All employees earn the same sick pay regardless of the length of service. Maximum annual leave accumulation hours are the hours allowable at the time of separation or at the end of any calendar year.

Employees terminating their employment are paid, by the Authority, their accumulated annual leave up to the maximum limit. Unused sick leave is paid at the date of separation but is limited to 25% of amounts unused upon termination up to $2,500.

The liabilities for annual and sick leave have been recorded in accordance with policies. Accordingly, the amount of leave recognized as expense is the amount earned during the year.

6. Revenue Recognition:

Revenues for charges for services to participant localities are based on prisoner days for each locality and are recorded when due. Year-end settlements are made with each participant locality. Amounts due are reported as receivables and amounts overpaid are reported as deferred revenues.

The Commonwealth of Virginia provides funding for operations and also provides funding for state prisoners held on a per-diem basis.

7. 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.

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

8. Allowance for Uncollectible Accounts:

The Authority calculates its allowance for specific accounts using historical collection data and, in certain cases, specific account analysis. Historical collection data indicates that any uncollectible amounts would be negligible. Management believes that any accounts that may be written off would not be significant. Accordingly, no allowance for uncollectible accounts has been established.

9. Comparative Totals:

Comparative totals are presented for informational purposes only.

10. Deferred Outflows/Inflows of Resources:

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

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

11. Net Position:

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

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

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

11. Net Position: (Continued)

- 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.

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

12. Pensions:

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

13. 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 Plan 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 3 - DEPOSITS AND INVESTMENTS:

Frederick County acts as a fiscal agent and provides accounting for the general operating accounts of the Authority. The Authority's operating cash is included in the pooled cash and investments of Frederick County. The Authority is reported in the Frederick County Financial Report as an agency fund. In addition, the Authority maintains separate bank accounts for Canteen and Inmate funds. In previous years, the Authority issued long-term debt and received funds for a jail expansion project. The remaining funds are in the custody of the City of Winchester which is the fiscal agent for the jail expansion project.

NOTE 3 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Deposits:

At year-end, the carrying value of the Authority's deposits with banks and savings institutions as part of the Frederick County pooled cash and investments was $9,103,756. The bank balances are not separately determinable. Deposits held by the City of Winchester in a State Non-Arbitrage Program (SNAP) account were $1,344,229.

At June 30, 2020, all of the Authority's bank balances were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. Of the pooled bank balances, no funds were uninsured and uncollateralized in banks or savings and loans not qualifying under the Act at June 30, 2020.

Investments:

As described above, the Authority's cash is included in the Frederick County pooled cash and Frederick County utilizes the Local Government Investment Pool, which consists of highly liquid unclassified investments. The amount of the Authority's equity in the pooled investment funds is not separately determinable.

Credit Risks:

Credit risk is the risk that a borrower will not be able to make payments and default on debt. 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). Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority currently has no formal policy relating to interest rate risk.

External Investment Pool:

The value of the position in the external investment pool is the same as the value of the pool shares. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS:

	Accounts Receivable	Due from Other Governments
Commonwealth of Virginia	$ -	$ 780,257
Other	362,286	-
Total	$ 362,286	$ 780,257

NOTE 5 - CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 600,375	$ -	$ -	$ 600,375
Total capital assets not being depreciated	$ 600,375	$ -	$ -	$ 600,375
Capital assets being depreciated:				
Building and improvements	$ 41,948,204	$ -	$ -	$ 41,948,204
Equipment and vehicles	2,166,560	171,012	52,225	2,285,347
Total capital assets being depreciated	$ 44,114,764	$ 171,012	$ 52,225	$ 44,233,551
Less: Accumulated depreciation:				
Building and improvements	$ 19,049,061	$ 1,303,475	$	$ 20,352,536
Equipment and vehicles	1,194,659	133,843	52,225	1,276,277
Total accumulated depreciation	$ 20,243,720	$ 1,437,318	$ 52,225	$ 21,628,813
Net capital assets being depreciated	$ 23,871,044	$ (1,266,306)	$ -	$ 22,604,738
Net capital assets	$ 24,471,419	$ (1,266,306)	$ -	$ 23,205,113

NOTE 6 - LONG-TERM DEBT:

The following is a summary of long-term debt activity for the year.

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Direct Borrowings and Placements:				
Revenue Bonds	$ 13,215,000	$ -	$ 790,000	$ 12,425,000
VRA Bonds	1,955,000	-	262,500	1,692,500
Bond Premium	471,636	-	91,452	380,184
Other obligations:				
Compensated absences	1,381,523	375,974	276,305	1,481,192
Total	$ 17,023,159	$ 375,974	$ 1,420,257	$ 15,978,876

The amounts required to amortize long-term debt are as follows:

	Direct Borrowings and Placements			
	Revenue Bonds		VRA Bonds	
Fiscal Year	Principal	Interest	Principal	Interest
2021	$ 820,000	$ 408,525	$ 276,250	$ 84,494
2022	850,000	383,925	292,500	70,258
2023	865,000	362,675	311,250	55,189
2024	900,000	332,400	331,250	39,109
2025	930,000	303,300	347,500	22,005
2026-2030	4,910,000	1,030,525	133,750	4,930
2031-2033	3,150,000	223,300	-	-
Total	$ 12,425,000	$ 3,044,650	$ 1,692,500	$ 275,985

NOTE 6 - LONG-TERM DEBT: (CONTINUED)

Details of long-term debt are as follows:

	Total	Amount Due Within One Year
Direct Borrowings and Placements:		
$495,000, Virginia Resources Authority Infrastructure and State Moral Obligation Revenue bonds series 2011A, issued May 18, 2011, maturing in various annual installments through October 1, 2025, interest paid semiannually at rates from 2.125% to 5.125%.	$ 285,000	$ 35,000
$16,400,000, Revenue and Refunding bonds series 2013, issued April 9, 2013, maturing in various annual installments through July 1, 2033, interest paid semiannually at rates from 2.00% to 4.00%.	12,425,000	820,000
$2,210,000, Virginia Resources Authority Infrastructure and State Moral Obligation Revenue bonds series 2016A, issued May 25, 2016, maturing in various annual installments through October 1, 2025, interest paid semiannually at rates from 4.506% to 5.125%.	1,407,500	241,250
Total long-term debt	$ 14,117,500	$ 1,096,250
Add: Bond premiums	380,184	81,188
Net long-term debt	$ 14,497,684	$ 1,177,438

NOTE 7 - COMPENSATED ABSENCES:

In accordance with GASB accounting principles, the Authority has accrued the liability arising from all compensated absences. The amount of accrued vacation, compensatory time and sick pay totaled $1,481,192 at June 30, 2020. This is an increase of $99,669 from the prior year.

NOTE 8 - PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

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

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

NOTE 8 - 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.

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 11.33% 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 $1,623,376 and $1,593,556 for the years ended June 30, 2020 and June 30, 2019, respectively.

NOTE 8 - PENSION PLAN: (CONTINUED)

Net Pension Liability

At June 30, 2020, the Authority reported a liability of $7,532,316 for its proportionate share of the net pension liability. The Authority's 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 and rolled forward to the measurement date of June 30, 2019. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2019 and 2018 as a basis for allocation. At June 30, 2019 and 2018, the Authority's proportion was 33.116% and 33.856%, respectively.

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	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

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

Mortality rates:

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

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

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

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

NOTE 8 - 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% to 15%
Discount Rate	Decreased rate from 7% 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 County of Frederick, Virginia'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	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

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

NOTE 8 - PENSION PLAN: (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% to 45%
Discount Rate	Decreased rate from 7% to 6.75%

NOTE 8 - 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 8 - 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.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	(5.75%)	(6.75%)	7.75%)
Net Pension Liability (Asset)	$ 16,057,026	$ 7,532,316	$ 785,479

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 $2,114,559. Since there was a change in proportionate share between measurement dates, a portion of pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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	$ 905,866	$ 141,257
Change in assumptions	1,467,217	154,558
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	111,249
Net difference between projected and actual earnings on pension plan investments	-	482,815
Employer contributions subsequent to the measurement date	1,623,376	-
Total	$ 3,996,459	$ 889,879

NOTE 8 - PENSION PLAN: (CONTINUED)

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

$1,623,376 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 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	$	584,810
2022		64,354
2023		555,082
2024		278,959

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 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 GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Plan OPEB.

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

Eligible Employees

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

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

Benefit Amounts

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 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 $79,907 and 74,821 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the entity reported a liability of $1,221,071 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 0.0734% as compared to 0.0735% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of $43,877. 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.

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)

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	$ 81,208	$ 15,838
Net difference between projected and actual earnings on GLI OPEB program investments	-	25,082
Change in assumptions	77,091	36,821
Changes in proportion	64,685	-
Employer contributions subsequent to the measurement date	79,907	
Total	$ 302,891	$ 77,741

$79,907 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	$ 19,978
2022	19,980
2023	30,603
2024	35,904
2025	30,477
Thereafter	8,301

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

Actuarial Assumptions

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

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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

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

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

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

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

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

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7% to 6.75%

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

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% to 45%
Discount Rate	Decreased rate from 7% to 6.75%

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

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):

		Group Life Insurance OPEB Plan
Total GLI OPEB Liability	$	3,390,238
Plan Fiduciary Net Position		1,762,972
Employers' Net GLI 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.

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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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 1,604,150	$ 1,221,071	$ 910,405

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 - COMMITMENTS AND CONTINGENCIES:

At June 30, 2020, there were no matters of litigation involving the Authority that have an adverse material effect on the financial position of the Authority.

NOTE 11 - INMATE AND OTHER ACCOUNTS:

The Authority maintains accounting for inmate and canteen (commissary) activity funds. The balance of the inmate funds was $214,931.

The Canteen Fund activity is summarized below:

Cash balance, beginning of year	$ 451,935
Receipts:	
Canteen sales	$ 1,172,030
Total receipts	$ 1,172,030
Disbursements:	
Inmate programs	$ 1,013,852
Total disbursements	$ 1,013,852
Cash balance, end of year	$ 610,113

NOTE 12 - OPERATING RESERVE FUND:

As a requirement of the jail expansion bond issue, the Authority is required to fund an operating reserve. At June 30, 2020, this fund totaled $2,657,042.

NOTE 13 - PROBATION PROGRAM:

The financial activity for the Probation Program is included in the Authority's financial statements. The revenues and expenditures for the Probation Program for Fiscal Year 2020 are summarized below:

Revenues:	
Supervision fees	$ 38,314
Drug testing fees	30
Miscellaneous	377
Revenue from the Commonwealth	245,974
Total revenues	$ 284,695
Expenditures:	
Personnel	$ 197,411
Fringes	105,750
Contractual	1,777
Other charges	27,827
Total expenditures	$ 332,765
Excess of revenues over expenditures	$ (48,070)

NOTE 14 - UPCOMING PRON0UNCEMENTS:

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 December 15, 2021.

- REQUIRED SUPPLEMENTARY INFORMATION -

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Authority's Proportionate Share of the Net Pension Liability
Measurement Dates of June 30, 2014 through June 30, 2019

Share of County of Frederick, Virginia's VRS Plan:

Measurement Date	Proportion of the Net Pension Liability (NPL)	Proportionate Share of the NPL	Covered Payroll	Proportionate Share of the NPL as a Percentage of Covered Payroll	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2019	33.1162%	$ 7,532,316	$ 14,707,823	51.2130%	87.3410%
June 30, 2018	33.8559%	5,593,056	14,285,071	39.1532%	89.8807%
June 30, 2017	34.6270%	5,105,950	13,594,320	37.5594%	90.2248%
June 30, 2016	33.9888%	7,936,530	9,110,219	87.1168%	83.7640%
June 30, 2015	34.7340%	5,451,457	8,872,450	61.4425%	88.1531%
June 30, 2014	34.5661%	4,899,782	8,438,994	58.0612%	88.6166%

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions - Pension Plan
Years Ended June 30, 2015 through June 30, 2020

Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	$ 1,623,376	$ 1,623,376	$ -	$ 15,346,243	10.5783%
2019	1,593,556	1,593,556	-	14,707,823	10.8348%
2018	1,469,413	1,469,413	-	14,285,071	10.2864%
2017	1,422,730	1,422,730	-	13,594,320	10.4656%
2016	1,512,778	1,512,778	-	9,110,219	16.6053%
2015	1,448,919	1,448,919	-	8,872,450	16.3305%

This schedule is intended to show information for 10 years. However, information prior to 2015 is not available. Additional years will be included as they become available.

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, valuations 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% to 15%
Discount Rate	Decreased rate from 7% 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% to 45%
Discount Rate	Decreased rate from 7% to 6.75%

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Authority's Share of Net OPEB Liability
Group Life Insurance Plan
Measurement Dates Ending June 30, 2017 through June 30, 2019

Share of County of Frederick, Virginia's VRS Group Life Insurance Plan:

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2019	0.0734%	$ 1,221,071	$ 14,388,668	8.49%	52.00%
2018	0.0735%	1,115,552	13,967,001	7.99%	51.22%
2017	0.0737%	1,109,103	13,594,320	8.16%	48.86%

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions
Group Life Insurance Plan
Years Ended June 30, 2017 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	$	79,907	$	79,907	$	-	$	15,366,655	0.52%
2019		74,821		74,821		-		14,388,668	0.52%
2018		72,628		72,628		-		13,967,001	0.52%
2017		69,387		69,387		-		13,594,320	0.51%

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

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% to 15%
Discount Rate	Decreased Rate from 7% 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% to 45%
Discount Rate	Decreased Rate from 7% to 6.75%

- OTHER SUPPLEMENTARY INFORMATION -

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Basis
Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Operating revenues:				
Care of prisoners:				
Local and other per diems	$ 12,719,075	$ 12,719,075	$ 12,696,715	$ (22,360)
Commonwealth of Virginia jail costs	1,300,000	1,300,000	1,223,497	(76,503)
Federal	-	-	2,199	2,199
Work release	387,628	387,628	343,535	(44,093)
Other	762,072	762,072	851,281	89,209
Total operating revenues	$ 15,168,775	$ 15,168,775	$ 15,117,227	$ (51,548)
Operating expenditures:				
Personnel	$ 11,399,267	$ 10,919,495	$ 10,634,336	$ 285,159
Fringes	5,537,179	5,615,470	5,249,364	366,106
Contractual	1,402,827	1,411,062	1,137,819	273,243
Other charges	3,199,402	3,720,631	2,995,729	724,902
Capital outlay	109,775	168,479	162,514	5,965
Total operating expenses	$ 21,648,450	$ 21,835,137	$ 20,179,762	$ 1,655,375
Net operating income (loss)	$ (6,479,675)	$ (6,666,362)	$ (5,062,535)	$ 1,603,827
Nonoperating revenues (expenses):				
Commonwealth of Virginia State Compensation Board	$ 5,550,000	$ 5,550,000	$ 5,819,961	$ 269,961
Other State grants	531,657	531,657	612,983	81,326
Capital grants	-	-	1,236,569	1,236,569
Coronavirus relief fund	-	-	84,047	84,047
Interest and investment earnings	-	-	170,949	170,949
Principal payment on long-term debt	(1,052,500)	(1,052,500)	(1,052,500)	-
Interest and Bond Issuance Cost	(537,898)	(537,898)	(528,069)	9,829
Net nonoperating revenues (expenses)	$ 4,491,259	$ 4,491,259	$ 6,343,940	$ 1,852,681
Excess (deficiency) of revenues over (under) expenditures	$ (1,988,416)	$ (2,175,103)	$ 1,281,405	$ 3,456,508
Change in fund balance	$ (1,988,416)	$ (2,175,103)	$ 1,281,405	$ 3,456,508
Fund balance, beginning of year	1,988,416	2,175,103	9,441,085	7,265,982
Fund balance, end of year	$ -	$ -	$ 10,722,490	$ 10,722,490

This schedule is presented on the budgetary basis which is the modified accrual basis of accounting.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis to the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

Fund balance, end of year	$	10,722,490
Capital assets, net of accumulated depreciation		23,205,113
Deferred charge on refunding		598,386
Pension deferrals - deferred outflows		3,996,459
OPEB deferrals - deferred outflows		302,891
Long-term debt		(14,497,684)
Net pension liability		(7,532,316)
Net OPEB liability		(1,221,071)
Compensated absences		(1,481,192)
OPEB deferrals - deferred inflows		(77,741)
Pension deferrals - deferred inflows		(889,879)
Net position, per Statement of Net Position	$	13,125,456

Reconciliation of excess (deficiency) of revenues over (under) expenditures to change in net position per the Statement of Revenues, Expenses, and Changes in Net Position:

Change in fund balance	$	1,281,405
Purchase of capital assets		171,012
Depreciation expense		(1,437,318)
Principal payment on long-term debt		1,052,500
Amortization of bond premium/refunding		45,422
Increase (decrease) in pension deferred outflows of resources		1,354,609
Increase (decrease) in OPEB deferred outflows of resources		118,377
(Increase) decrease in compensated absences		(99,669)
(Increase) decrease in net pension liability		(1,939,260)
(Increase) decrease in net OPEB liability		(105,519)
(Increase) decrease in OPEB deferred inflows of resources		25,181
(Increase) decrease in pension deferred inflows of resources		122,704
Change in net position	$	589,444

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Revenues
Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Interest on investments and earnings	$ 170,949	$ 204,337
Commonwealth of Virginia jail costs	1,223,497	1,262,517
Commonwealth of Virginia State Compensation Board	5,819,961	5,596,561
Other State grants	612,983	531,657
Capital grants	1,236,569	-
Coronavirus relief funds	84,047	-
Prisoner Housing:		
Federal	2,199	1,998
Work release	343,535	362,240
Miscellaneous	15,706	14,489
Telephone commissions	636,316	440,059
Food and staff reimbursements	73,747	81,157
Electronic monitoring fees	87,168	125,566
Drug testing fees	30	230
Client supervision fees	38,314	53,757
Medical and health reimbursement	52,640	56,798
Local Contributions:		
Clarke	471,624	533,000
Frederick	5,071,538	5,191,910
Winchester	4,790,840	4,840,879
Fauquier	2,310,073	2,339,780
Total revenues	$ 23,041,736	$ 21,636,935
% of Local Contributions:		
Clarke	3.73%	4.13%
Frederick	40.11%	40.23%
Winchester	37.89%	37.51%
Fauquier	18.27%	18.13%

The schedule has been prepared on the modified accrual basis of accounting.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Expenditures
Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Personnel	$ 10,634,336	$ 10,637,539
Fringes	5,249,364	4,999,696
Professional Health Services	754,931	1,284,088
Professional Services	42,666	51,255
Repair and Maintenance	233,622	153,559
Maintenance Service Contracts	70,305	52,835
Printing and Binding	3,001	3,503
Advertising	129	1,186
Contractual Services	33,165	32,175
Gasoline	108	193
Electrical Service	305,600	302,752
Heating Service	94,308	109,693
Water and Sewer	445,185	335,846
Postage and Telephone	48,085	45,074
Internet Access	8,810	23,907
Boiler Insurance	6,292	6,288
Fire Insurance	30,344	30,344
Motor Vehicle Insurance	7,267	6,693
Surety Bonds and Public Officials Liability	13,007	12,471
General Liability Insurance	9,507	10,018
Line of Duty Program	38,889	37,250
Office Supplies	78,461	55,928
Food Supplies and Food Services	955,698	921,949
Food Service - Small Equipment	18,986	6,596
Agricultural Supplies	2,704	3,375
Medical and Laboratory	517,610	409,399
Laundry, Housekeeping, and Janitorial	127,528	117,509
Linen Supplies	-	8,173
Repair and Maintenance Supplies	61,371	52,038
Vehicle and Powered Equipment Supplies	2,043	13,762
Vehicle Fuels and Lubricants	12,802	
Police Supplies	81,733	41,692
Uniforms and Wearing Apparel	34,473	56,754
Books and Subscriptions	339	339
Other Operating Supplies	23,545	22,636
Emergency/Disaster	6,892	-
Travel	85,813	95,389
Travel - Inmate Transports	41	-
Dues and Memberships	3,403	3,419
Operating and Reserve Funding	(44,904)	(32,212)
Payment of Unemployment Claims	-	3,492
Machinery and Equipment	20,813	257,909
Motor Vehicles and Equipment	141,701	-
Building Improvements	-	633,525
Lease/Rent of Equipment	19,789	32,158
Debt Service Payments		
Principal	1,052,500	1,012,500
Interest and Bond Issuance Cost	528,069	562,448
Total expenditures	$ 21,760,331	$ 22,415,143

The schedule has been prepared on the modified accrual basis of accounting.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Per Diem Rates and Per Diem Revenues
Last Five Fiscal Years

Per Diem Rates

Fiscal Year Ended June 30,	Non-Participating Jurisdictions (Local)	Non-Participating Jurisdictions (Federal)
2020	$ 79.32	$ 55.00
2019	79.32	55.00
2018	79.32	55.00
2017	79.32	55.00
2016	79.32	79.32

Per Diem Revenues

Fiscal Year Ended June 30,	Clarke County	Fauquier County	Frederick County	City of Winchester	Participating Jurisdictions Per Diem Total	Non-Participating Jurisdictions, Including Federal
2020	$ 471,624	$ 2,310,073	$ 5,071,538	$ 4,790,840	$ 12,644,075	$ 2,199
2019	533,000	2,339,780	5,191,910	4,840,879	12,905,569	1,998
2018	551,259	2,269,348	5,394,459	4,910,139	13,125,205	885
2017	489,071	2,069,337	5,299,912	4,429,906	12,288,226	1,752
2016	520,768	1,819,790	5,103,298	4,154,548	11,598,404	1,258

Demographic Information of the Service Area

The Authority's service area is spread over the area covered by the Participating Jurisdictions, all of which are located in the northwestern part of Virginia, near Maryland and West Virginia.

The following table shows the total population of the Participating Jurisdictions during the thirty-year period of 1980 to 2010 and the projected population in the year 2020.

Locality	1980	1990	2000	2010	Projected 2020
Clarke County	9,965	12,101	12,652	14,034	15,025
Fauquier County	35,889	48,860	55,139	65,203	74,118
Frederick County	34,150	45,723	59,209	78,305	97,192
City of Winchester	20,217	21,947	23,585	26,203	27,967
Total	100,221	128,631	150,585	183,745	214,302

Sources: Weldon-Cooper Center for Public Service, University of Virginia, for years 1980, 1990, 2000 and 2010.
Virginia Employment Commission for 2020 projections.

Authority Inmate Population Statistics
Last Five Fiscal Years

The tables below show the inmate population statistics for the last five fiscal years. The Authority accepts inmates from non-participating jurisdictions (including federal detainees) on a space-available basis.

Prisoner Man-Days

Fiscal Year Ended June 30,	From Clarke County	From Fauquier County	From Frederick County	From City of Winchester	Non-Participating Jurisdictions (other than Federal)	Federal	Total
2020	8,114	38,728	82,988	67,720	4,258	27	201,835
2019	8,506	36,330	94,933	80,562	3,194	37	223,562
2018	7,092	39,992	91,323	79,654	2,643	21	220,725
2017	8,539	43,038	93,350	86,602	3,821	32	235,382
2016	10,180	43,529	93,129	96,183	3,813	7	246,841

Average Daily Population (ADP)

Fiscal Year Ended June 30,	From Clarke County	From Fauquier County	From Frederick County	From City of Winchester	Non-Participating Jurisdictions (other than Federal)	Federal	Total
2020	22.0	106.0	227.0	185.0	11.0	1.00	552.00
2019	23.0	100.0	260.0	221.0	9.0	0.11	613.11
2018	20.0	110.0	250.0	218.0	7.0	0.06	605.06
2017	23.0	118.0	256.0	237.0	11.0	0.09	645.09
2016	28.0	119.0	255.0	264.0	10.0	0.2	676.2

Participating Jurisdictions - Other Jail Facilities
Last Five Fiscal Years

As described in the Regional Jail Agreement, all of the Participating Jurisdictions, except Fauquier County, are required to commit their respective prisoners to the Authority for housing in the Jail Facilities. Fauquier County sends its prisoners to the Jail Facilities on an as-needed basis. Fauquier County maintains its own jail facilities which have a rated capacity of 56 beds. The average daily inmate population housed in the Fauquier County jail facilities for the last five fiscal years is set out in the table below.

Fauquier County Adult Detention Center

Fiscal Year Ended June 30,	Rated Prisoner Capacity	Average Daily Inmate Population
2020	56	60
2019	56	77
2018	56	86
2017	56	82
2016	56	84

NORTHWESTERN REGIONAL JAIL AUTHORITY

Debt Service Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Operating Expenses	Net revenues available for debt service	Debt Service Principal	Debt Service Interest	Coverage
2020	$ 23,041,736	$ 20,179,762	$ 2,861,974	$ 1,052,500	$ 528,069	181.07%
2019	21,636,935	20,840,195	796,740	1,012,500	562,448	50.59%
2018	21,536,243	19,316,275	2,219,968	982,500	605,956	139.76%
2017	20,831,622	19,267,391	1,564,231	890,000	654,041	101.31%
2016	20,279,989	18,575,950	1,704,039	725,000	633,670	125.42%
2015	18,972,121	17,636,536	1,335,585	700,000	571,975	105.00%
2014	18,059,482	17,699,276	360,206	507,500	592,466	32.75%
2013	16,889,229	17,344,080	(454,851)	467,500	984,898	-31.32%
2012	16,277,925	15,852,886	425,039	440,000	751,847	35.66%
2011	15,977,516	15,648,949	328,567	405,000	857,469	26.03%

- COMPLIANCE SECTION -

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

To the Members of the Board
Northwestern Regional Jail Authority
Winchester, Virginia

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

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwestern Regional Jail Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwestern Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwestern 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 Northwestern 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 30, 2020