# SOUTHWEST VIRGINIA REGIONAL JAIL AUTHORITY

## FINANCIAL REPORT

## FOR THE YEAR ENDED JUNE 30, 2022

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# FOR THE YEAR ENDED JUNE 30, 2022

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**FINANCIAL SECTION**

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# FINANCIAL SECTION

## Independent Auditors' Report

**To the Honorable Members of**
**Southwest Virginia Regional Jail Authority**
**Abingdon, Virginia**

### Report on the Audit of the Financial Statements

***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Virginia Regional Jail Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Southwest Virginia Regional Jail Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Virginia Regional Jail Authority, as of and for the year ended June 30, 2022, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southwest Virginia Regional Jail Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwest Virginia Regional Jail Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southwest Virginia Regional Jail Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwest Virginia Regional Jail Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

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

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southwest Virginia Regional Jail Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal* Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards,* we have also issued our report dated October 23, 2022, on our consideration of Southwest Virginia Regional Jail Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southwest Virginia Regional Jail Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwest Virginia Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 23, 2022

# Basic Financial Statements

Exhibit 1

**SOUTHWEST VIRGINIA REGIONAL JAIL AUTHORITY**
**Statement of Net Position**
**June 30, 2022**

| | Primary Government Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 14,398,918 |
| Investments | 4,734,850 |
| Accounts receivable | 639,807 |
| Prepaid items | 1,093,579 |
| Due from other governmental units | 3,489,950 |
| Net pension asset | 9,991,886 |
| Restricted assets: | |
| Investments with trustee | 6,762,117 |
| Noncurrent assets: | |
| Capital assets (net of accumulated depreciation): | |
| Land | 1,176,628 |
| Buildings and improvements | 73,922,263 |
| Machinery and equipment | 4,406,102 |
| Total assets | $ 120,616,100 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred charge on refunding | $ 1,302,932 |
| Pension related items | 3,753,236 |
| OPEB related items | 1,686,470 |
| Total deferred outflows of resources | $ 6,742,638 |
| **LIABILITIES** | |
| Accounts payable | $ 991,476 |
| Accrued interest payable | 378,623 |
| Accrued wages | 525,377 |
| Accrued benefits | 47,889 |
| Due to other governmental units | 4,376,833 |
| Long-term liabilities: | |
| Due within one year | 3,656,746 |
| Due in more than one year | 60,919,616 |
| Total liabilities | $ 70,896,560 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Pension related items | $ 7,587,921 |
| OPEB related items | 1,392,441 |
| Total deferred inflows of resources | $ 8,980,362 |
| **NET POSITION** | |
| Net investment in capital assets | $ 23,137,996 |
| Restricted for debt service | 6,762,114 |
| Restricted for future pension payments | 9,991,886 |
| Unrestricted | 7,589,820 |
| Total net position | $ 47,481,816 |

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

**SOUTHWEST VIRGINIA REGIONAL JAIL AUTHORITY**
**Statement of Activities**
**For the Year Ended June 30, 2022**

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| | | | | | Regional Jail Authority |
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** |
| **Primary Government:** | | | | | |
| Governmental activities: | | | | | |
| Public safety | $ 44,731,291 | $ 21,875,201 | $ 22,217,300 | $ - | $ (638,790) |
| Interest on long-term obligations | 1,470,326 | - | - | - | (1,470,326) |
| Total governmental activities | $ 46,201,617 | $ 21,875,201 | $ 22,217,300 | $ - | $ (2,109,116) |
| | | | | | |
| | General revenues: | | | | |
| | Unrestricted revenues from use of money and property | | | | $ 1,804 |
| | Miscellaneous | | | | 3,573,813 |
| | Total general revenues | | | | $ 3,575,617 |
| | Change in net position | | | | $ 1,466,501 |
| | Net position - beginning | | | | 46,015,315 |
| | Net position - ending | | | | $ 47,481,816 |

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

Exhibit 3

**SOUTHWEST VIRGINIA REGIONAL JAIL AUTHORITY**
**Balance Sheet**
**Governmental Fund**
**June 30, 2022**

| | | |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ | 14,398,918 |
| Investments | | 4,734,850 |
| Accounts receivable | | 639,807 |
| Prepaid items | | 1,093,579 |
| Due from other governmental units | | 3,489,950 |
| Noncurrent assets: | | |
| Investments with trustee - restricted | | 6,762,117 |
| Total assets | $ | 31,119,221 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | $ | 991,476 |
| Accrued wages | | 525,377 |
| Accrued benefits | | 47,889 |
| Due to other governmental units | | 4,376,833 |
| Total liabilities | $ | 5,941,575 |
| **FUND BALANCE** | | |
| Nonspendable - Prepaid items | $ | 1,093,579 |
| Restricted: | | |
| Restricted for debt service | | 6,762,114 |
| Unassigned | | 17,321,953 |
| Total fund balance | $ | 25,177,646 |
| Total liabilities and fund balance | $ | 31,119,221 |

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

Exhibit 4

**SOUTHWEST VIRGINIA REGIONAL JAIL AUTHORITY**
**Reconciliation of the Balance Sheet of Governmental Fund**
**To the Statement of Net Position**
**June 30, 2022**

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Total fund balances per Exhibit 3 - Balance Sheet | | $ 25,177,646 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Land | $ 1,176,628 | |
| Buildings and improvements | 73,922,263 | |
| Machinery and equipment | 4,406,102 | 79,504,993 |
| The net pension asset is not an available resource and, therefore, is not reported in the funds. | | 9,991,886 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | |
| Deferred charge on refunding | $ 1,302,932 | |
| Pension related items | 3,753,236 | |
| OPEB related items | 1,686,470 | 6,742,638 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Revenue and refunding bonds | $ (18,620,000) | |
| Refunding bond | (36,680,000) | |
| Premium on revenue bond | (678,345) | |
| Premium on refunding bond | (1,691,584) | |
| Accrued interest payable | (378,623) | |
| Compensated absences | (838,869) | |
| Net OPEB Liabilities | (6,067,564) | (64,954,985) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Pension related items | $ (7,587,921) | |
| OPEB related items | (1,392,441) | (8,980,362) |
| Net position of governmental activities | | $ 47,481,816 |

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

Exhibit 5

**SOUTHWEST VIRGINIA REGIONAL JAIL AUTHORITY**
**Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Governmental Fund**
**For the Year Ended June 30, 2022**

| | | |
|---|---|---|
| **Revenues:** | | |
| Charges for services | $ | 21,875,201 |
| Intergovernmental revenue | | 22,217,300 |
| Unrestricted revenue from use of money and property | | 1,804 |
| Miscellaneous | | 3,573,813 |
| Total revenues | $ | 47,668,118 |
| **Expenditures:** | | |
| Public Safety: | | |
| Employee costs | $ | 25,413,760 |
| Contractual services | | 1,087,428 |
| Support services | | 44,913 |
| Utilities | | 2,472,465 |
| Medical services | | 7,550,358 |
| Medical supplies | | 41,808 |
| Insurance | | 687,694 |
| Travel | | 63,603 |
| Office supplies | | 122,780 |
| Facility and maintenance supplies | | 948,176 |
| Inmate supplies | | 495,438 |
| Correctional supplies | | 357,032 |
| Food services | | 2,415,649 |
| Equipment | | 815,922 |
| Debt Service: | | |
| Principal | | 2,790,000 |
| Interest | | 1,573,910 |
| Total expenditures | $ | 46,880,936 |
| Excess (deficiency) of revenues over (under) expenditures | $ | 787,182 |
| Net change in fund balance | $ | 787,182 |
| Fund balance, beginning of year | | 24,390,464 |
| Fund balance, end of year | $ | 25,177,646 |

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

Exhibit 6

**SOUTHWEST VIRGINIA REGIONAL JAIL AUTHORITY**
**Reconciliation of the Statement of Revenues,**
**Expenditures, and Changes in Fund Balances of Governmental Fund**
**To the Statement of Activities**
**For the Year Ended June 30, 2022**

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balances - total governmental funds | | $ 787,182 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital asset purchases in the current period. | | |
| Capital asset additions | $ 411,154 | |
| Depreciation expense | (4,020,358) | (3,609,204) |
| The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. | | |
| Payment of principal | | 2,790,000 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. | | |
| (Increase) decrease in compensated absences | $ (3,132) | |
| (Increase) decrease in accrued interest payable | 16,807 | |
| Amortization of bond premium | 152,594 | |
| Amortization of deferred charge on refunding | (65,817) | |
| Change in pension related items | 2,066,200 | |
| Change in OPEB related items | (668,129) | 1,498,523 |
| Change in net position of governmental activities | | $ 1,466,501 |

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

**Exhibit 7**

**SOUTHWEST VIRGINIA REGIONAL JAIL AUTHORITY**
**Statement of Fiduciary Net Position**
**Fiduciary Funds**
**June 30, 2022**

| | | Custodial Fund |
|---|---|---|
| | | Inmate Trust |
| **ASSETS** | | |
| Cash | $ | 188,793 |
| **LIABILITIES** | | |
| Accounts payable | $ | 141,171 |
| **NET POSITION** | | |
| Restricted for: | | |
| Held for Inmates | $ | 47,622 |

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

**Exhibit 8**

**SOUTHWEST VIRGINIA REGIONAL JAIL AUTHORITY**
**Statement of Changes in Fiduciary Net Position**
**Fiduciary Funds**
**For the Year Ended June 30, 2022**

| | | Custodial Fund Inmate Trust |
|---|---|---|
| **ADDITIONS** | | |
| Inmate deposits | $ | 2,940,831 |
| | | |
| **DEDUCTIONS** | | |
| Inmate refunds | $ | 279,922 |
| Vendor payments for benefit of inmates | | 2,699,032 |
| Total deductions | $ | 2,978,954 |
| Net increase (decrease) in fiduciary net position | $ | (38,123) |
| Net position - beginning | $ | 85,745 |
| Net position - ending | $ | 47,622 |

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

**Note 1-Summary of Significant Accounting Policies:**

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

A. Financial Reporting Entity

The Authority was created by concurrent resolutions of the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Smyth, Tazewell, Washington, Wise and the City of Norton. The Authority was created under the provisions of Title 53.1, Chapter 3, Articles 3.1 and 5 of the Code of Virginia (1950), as amended. The Authority was created to construct and operate jail facilities for the participating jurisdictions.

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

**Note 1-Summary of Significant Accounting Policies: (continued)**

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

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

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

*The Authority reports the following major governmental funds:*

The General Fund is the Authority's primary operating fund. The fund is used to account for and report all financial resources of the Authority. The General Fund is considered a major fund for reporting purposes.

*Additionally, the Authority reports the following fund types:*

Fiduciary funds (trust and custodial funds) account for assets held by the Authority in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds. These funds include Inmate Trust. Fiduciary funds are not included in the government-wide financial statements.

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

1. *Cash and Cash Equivalents*

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

2. *Investments*

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.

3. *Use of Estimates*

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

4. *Prepaid Items*

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditure/expenses when consumed rather than when purchased.

**Note 1-Summary of Significant Accounting Policies: (continued)**

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

5. *Capital Assets*

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

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

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

| Assets | Years |
|---|---|
| Buildings | 40 |
| Building improvements | 20-40 |
| Machinery and equipment | 5-10 |

6. *Accounts Receivable*

Accounts receivable are stated at book value. Uncollected balances have not been significant, therefore no allowances for uncollectible accounts is recorded.

7. *Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The Authority's employees accrue paid time off at various rates based on the total years of service during employment as a full-time employee. Employees will be allowed to accumulate their maximum accrued hours per year as determined by years of service. Once an employee attains the maximum hours, he/she will not accrue any more hours until leave is taken. Upon termination, full compensation will be paid for unused paid time off up to the designated maximum based upon total years of service. The Authority's employees also accrue holiday time which upon termination, and with the exception of exempt employees, may be paid up to a maximum of 48 hours. The Authority's liability for compensated absences at June 30, 2022 was $838,869.

8. *Restricted Assets*

Restricted investments are set aside for future debt service expenditures.

*The remainder of this page is left blank intentionally.*

**Note 1-Summary of Significant Accounting Policies: (continued)**

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

*9. Long-term Obligations*

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

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

*10. Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net assets 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 statement of net position. A deferred charge on refunding resulted from the difference between 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 pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net assets 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 pension and OPEB are reported as deferred inflows or resources. For more detailed information on these items, reference the related notes.

*11. Pensions*

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

**Note 1-Summary of Significant Accounting Policies: (continued)**

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

12. *Other Post Employment Benefits (OPEB)*

For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's fiduciary net 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

In addition to the Group Life Insurance OPEB benefit, the Authority allows their retirees to stay on the health insurance plan after retirement. The retiree is required to pay the blended premium cost creating an implicit subsidy OPEB liability. In addition, retirees receive a monthly stipend towards their health insurance cost until the retiree is Medicare eligible. This is discussed in detail in Note 10 of the financial statements.

*13. Net Position*

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

The Authority's net position is classified as follows:

Net Investment in Capital Assets – This category represents the net value of capital assets (property, plant, equipment and infrastructure less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset plus deferred outflows of resources less deferred inflows of resources related to those assets.

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

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

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

**Note 1-Summary of Significant Accounting Policies: (continued)**

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

*14. Fund Balance*

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance – amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Authority prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance – amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

**Note 2-Deposits and Investments:**

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

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

**Note 2-Deposits and Investments: (continued)**

*Credit Risk of Debt Securities*:
The Authority has not adopted an investment policy for credit risk. The Authority's rated debt investments as of June 30, 2022 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

| Rated Debt Investments | Fair Quality Ratings | | |
|---|---|---|---|
| | AAAm | AA+f/S1 | Total |
| Fidelity Instit. MM Class II | $ 2,374,550 | $ - | $ 2,374,550 |
| First Am Govt Ob FD CL Y | 14,094 | - | 14,094 |
| VIP Stable Nav Liquidity Pool | 3,166,521 | - | 3,166,521 |
| VIP 1-3 Year High Quality Bond Fund | - | 1,568,329 | 1,568,329 |
| SNAP | 4,373,473 | - | 4,373,473 |
| Total | $ 9,928,638 | $ 1,568,329 | $ 11,496,967 |

*Concentration of Credit Risk*:
At June 30, 2022, the Authority did not have any investments requiring concentration of credit risk disclosures that exceeded 5% of total investments.

*Interest Rate Risk:*
The Authority has not adopted an investment policy for interest rate risk. Listed below are the Authority's US Treasury investments subject to investment rate risk and their corresponding maturity dates.

| Investment Type | Fair Value | Call Options |
|---|---|---|
| *Fidelity Instit. MM Class II* | | |
| Fidelity Investments Money Market | $ 1,423,827 | None |
| Fidelity Investments Money Market | 305,479 | None |
| Fidelity Investments Money Market | 217,623 | None |
| Fidelity Investments Money Market | 427,621 | None |
| *First Am Govt Ob FD CL Y* | | |
| US Bank Investments Money Market | 14,094 | None |
| Total | $ 2,388,644 | |

| Investment Type | Fair Value | Less Than 1 Year | 1-5 Years |
|---|---|---|---|
| SNAP | $ 4,373,473 | $ 4,373,473 | $ - |
| Virginia Investment Pool (VIP): | | | |
| 1-3 Year High Quality Bond Fund | 3,166,521 | - | 3,166,521 |
| Stable Nav Liquidty Pool | 1,568,329 | 1,568,329 | - |
| Totals | $ 9,108,323 | $ 5,941,802 | $ 3,166,521 |

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

## Note 3— Fair Value Measurements:

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

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

Investments that are measured using net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Investments in the VIP are using the NAV per share, which is determined by dividing the total value of the VIP Trust by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the VIP Trust. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days written notice.

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

The Authority has the following recurring fair value measurements as of June 30, 2022:

| | | Fair Value Measurement Using |
|---|---|---|
| **Investment** | **6/30/2022** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** |
| Investments by Fair Value Level: | | |
| Debt Securities: | | |
| Fidelity Instit. MM Class II | $ 2,374,550 | $ 2,374,550 |
| First Am Govt Ob FD CL Y | 14,094 | 14,094 |
| Total Debt Securities | $ 2,388,644 | $ 2,388,644 |
| Total Investments by Fair Value Level | $ 2,388,644 | $ 2,388,644 |
| | | |
| Investments measured at the net asset value (NAV): | | |
| VACO/VML VIP Stable Nav Liquidity Pool | $ 3,166,521 | |
| VACO/VML VIP 1-3 Year High Quality Bond Fund | 1,568,329 | |
| Total Investments measured at NAV | $ 4,734,850 | |
| | | |
| Total investments measured at fair value | $ 7,123,494 | |

**Note 4-Due From Other Governments**:

At June 30, 2022, the Authority had the following receivables due from other governments:

| | Primary Government |
|---|---|
| Amounts due from the State Compensation Board for payroll | $ 2,109,968 |
| Amounts due from the State for Per Diems | 930,716 |
| Amounts due from Federal Government | 418,454 |
| Amounts due from participating jurisdictions | 30,812 |
| Total Due from Other Governments | $ 3,489,950 |

**Note 5-Due To/From Participating Jurisdictions**:

The Authority bills each locality yearly for operating and debt service expenditures based on budgeted amounts. At year end the Authority reconciles those payments based on actual days used per locality.

| | Due To | Due From |
|---|---|---|
| Buchanan County | $ 114,882 | $ 26,720 |
| Dickenson County | 362,228 | - |
| Lee County | 176,955 | 4,092 |
| City of Norton | 138,775 | - |
| Russell County | 363,193 | - |
| Scott County | 333,940 | - |
| Smyth County | 832,091 | - |
| Tazewell County | 508,981 | - |
| Washington County | 865,640 | - |
| Wise County | 680,148 | - |
| Total | $ 4,376,833 | $ 30,812 |

*The remainder of this page is left blank intentionally.*

**Note 6-Long-Term Obligations:**

Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2022:

| | Balance July 1, 2021 | Increases/ Issuances | Decreases/ Retirements | Balance June 30, 2022 |
|---|---|---|---|---|
| Direct borrowings and placements: | | | | |
| Revenue Bond | $ 20,845,000 | $ - | $ (2,225,000) | $ 18,620,000 |
| Premium on Revenue Bond | 710,647 | - | (32,302) | 678,345 |
| Refunding Revenue Bond | 37,245,000 | - | (565,000) | 36,680,000 |
| Premium on Refunding Bond | 1,811,876 | - | (120,292) | 1,691,584 |
| Total direct borrowings and placements | $ 60,612,523 | $ - | $ (2,942,594) | $ 57,669,929 |
| Compensated Absences | 835,737 | 629,935 | (626,803) | 838,869 |
| Net OPEB Liabilities | 6,589,310 | 1,067,585 | (1,589,331) | 6,067,564 |
| Total | $ 68,037,570 | $ 1,697,520 | $ (5,158,728) | $ 64,576,362 |

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

| | Direct Borrowings and Placements | | | |
|---|---|---|---|---|
| Year Ending | Revenue Bond | | Refunding Bond | |
| June 30, | Principal | Interest | Principal | Interest |
| 2023 | $ 2,305,000 | $ 613,736 | $ 570,000 | $ 866,296 |
| 2024 | 2,415,000 | 499,811 | 580,000 | 857,812 |
| 2025 | 755,000 | 433,033 | 2,335,000 | 833,251 |
| 2026 | 790,000 | 415,157 | 2,365,000 | 792,122 |
| 2027 | 820,000 | 395,014 | 2,395,000 | 748,081 |
| 2028-2032 | 4,730,000 | 1,564,516 | 12,515,000 | 2,966,342 |
| 2033-2037 | 4,760,000 | 720,362 | 11,245,000 | 1,410,416 |
| 2038-2042 | 1,665,000 | 225,384 | 3,840,000 | 451,500 |
| 2043 | 380,000 | 6,887 | 835,000 | 13,464 |
| Total | $ 18,620,000 | $ 4,873,900 | $ 36,680,000 | $ 8,939,284 |

*The remainder of this page is left blank intentionally.*

**Note 6-Long-Term Obligations: (continued)**

Details of long-term indebtedness:

| | Interest Rates | Date Issued | Payment Frequency | Final Maturity Date | Amount of Original Issue | Balance Governmental Activities | Amount Due Within One Year |
|---|---|---|---|---|---|---|---|
| Direct Borrowings and placements: | | | | | | | |
| Revenue Bond | 2.6-4.8% | 6/3/2020 | Semi-Annually | 10/1/2042 | $ 22,995,000 | $ 18,620,000 | $ 2,305,000 |
| Premium on Revenue Bond | | | | | 742,949 | 678,345 | 32,302 |
| Refunding Bond | 1.3-3.2% | 6/3/2020 | Semi-Annually | 10/1/2042 | 37,880,000 | 36,680,000 | 570,000 |
| Premium on Refunding Bond | | | | | 1,932,168 | 1,691,584 | 120,292 |
| Total Direct Borrowings and Placements | | | | | | $ 57,669,929 | $ 3,027,594 |
| Other Obligations: | | | | | | | |
| Compensated Absences | | | | | | $ 838,869 | $ 629,152 |
| Net OPEB Liabilities | | | | | | 6,067,564 | - |
| Total Other Obligations | | | | | | $ 6,906,433 | $ 629,152 |
| Total Long Term Obligations | | | | | | $ 64,576,362 | $ 3,656,746 |

Defaults and remedies:

*Defaults*

Each of the following events shall be an “Event of Default”:

1. The failure to make any payment or deposit required by this Agreement within 15 days after its due date.
2. The failure to pay any installment of interest (including Supplemental Interest) on the Local Bond when due.
3. The failure to pay any installment of principal or premium, if any, on the Local Bond when due (whether at maturity, by mandatory or optional redemption, by acceleration or otherwise).
4. The Local Government’s failure to perform or observe any of the other covenants, agreements or conditions of the Local Bond or this Agreement and the continuation of such failure for a period of 60 days after written notice specifying such failure and requesting that it be cured is given to the Local Government by VRA, or, in the case of any such failure which cannot with diligence be cured within such 60 day period, the Local Government’s failure to proceed promptly to commence to cure the failure and thereafter to prosecute the curing of the failure with diligence.
5. Any warranty, representation or other statement by or on behalf of the Local Government contained in this Agreement or in any instrument furnished in compliance with or in reference to this Agreement or in connection with the issuance and sale of the Local Bond is false and misleading in any material respect.
6. Any bankruptcy, insolvency or other similar proceeding shall be instituted by or against the Local Government under any federal or state bankruptcy or insolvency law now or hereinafter in effect and, if instituted against the Local Government is not dismissed within 60 days after filing.
7. The occurrence of an “Event of Default” under the Local Indenture.

*Remedies*

Upon the occurrence and continuation of an Event of Default, VRA and the trustee will have their respective rights and remedies provided for in the Local Bond and under the Local Indenture and the Master Indenture.

**Note 6-Long-Term Obligations: (continued)**

*Delay and Waiver*

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default of acquiescence in it, and every such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any default or Event of Default under this Agreement shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent to it.

Other Information:

*Line of Credit*

The Authority also has an outstanding line of credit with First Bank & Trust. The allowable principal is $2,000,000. The line of credit was issued June 24, 2008 and had no activity prior to June 30, 2022. The line of credit had no outstanding balance as of June 30, 2022.

**Note 7—Pension Plan:**

***Plan Description***

All full-time, salaried permanent employees of the Southwest Virginia Regional Jail Authority are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, one other entity participates in the VRS plan through Southwest Virginia Regional Jail Authority and the participating entity reports 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 with a membership date 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 with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

**Note 7—Pension Plan: (continued)**

### *Benefit Structures (continued)*

c. Non-hazardous duty employees with a membership date 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 credits equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

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

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

### *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 Southwest Virginia Regional Jail Authority's contractually required employer contribution rate for the year ended June 30, 2022 was 10.46% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 Southwest Virginia Regional Jail Authority were $1,652,522 and $1,596,051 for the years ended June 30, 2022 and June 30, 2021, respectively.

**<u>Note 7—Pension Plan:</u> (continued)**

***Net Pension Asset***

At June 30, 2022, the Authority reported an asset of $9,991,886 for its proportionate share of the net pension asset. The Authority's net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. At June 30, 2021 and 2020, the Authority's proportion was 97.84% and 97.84%, 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, 2020, 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, 2021.

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

Mortality rates:

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvements:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**Note 7—Pension Plan: (Continued)**

***Actuarial Assumptions – General Employees (Continued)***

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except for 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) | | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; charged final retirement age |
| Withdrawal Rates | | Adjusted rates to better fit experience at each year age and service decrement through 9 years of service |
| Disability Rates | | No change |
| Salary Scale | | No change |
| Line of Duty Disability | | No change |
| Discount Rate | | No change |

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

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

*The remainder of this page is left blank intentionally.*

**Note 7—Pension Plan: (Continued)**

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

Mortality rates:

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvements:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and charged final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Note 7—Pension Plan: (Continued)**

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

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

| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|---|---|---|---|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP - Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | 100.00% | | 4.89% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.39% |

* The above allocation provides a one-year expected return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

*The remainder of this page is left blank intentionally.*

**Note 7—Pension Plan: (Continued)**

***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, 2021, 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, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| Authority's Proportionate Share of the Net Pension Asset | $ (3,998,410) | $ (9,991,886) | $ (14,847,468) |

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

For the year ended June 30, 2022, the Southwest Virginia Regional Jail Authority recognized pension expense of ($416,145). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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**Note 7—Pension Plan: (Continued)**

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

At June 30, 2022, the Southwest Virginia Regional Jail Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 68,884 | $ 2,295,356 |
| Change in assumptions | 2,029,750 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 5,292,565 |
| Change in proportionate share | 2,080 | - |
| Employer contributions subsequent to the measurement date | 1,652,522 | - |
| Total | $ 3,753,236 | $ 7,587,921 |

$1,652,522 reported as deferred outflows of resources related to pensions resulting from the Southwest Virginia Regional Jail Authority's contributions subsequent to the measurement date will be recognized as an adjustment to the Net Pension Asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30 | Primary Government |
|---|---|
| 2023 | $ (1,375,513) |
| 2024 | (1,455,655) |
| 2025 | (1,137,339) |
| 2026 | (1,518,700) |
| Thereafter | - |

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**Note 8-Capital Assets:**

Capital asset activity for the year ended June 30, 2022 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 1,176,628 | $ - | $ - | $ 1,176,628 |
| Total capital assets not being depreciated | $ 1,176,628 | $ - | $ - | $ 1,176,628 |
| Capital assets being depreciated: | | | | |
| Buildings and Improvements | $ 112,377,242 | $ - | $ - | $ 112,377,242 |
| Machinery and Equipment | 9,493,970 | 411,154 | (147,513) | 9,757,611 |
| Total capital assets being depreciated | $ 121,871,212 | $ 411,154 | $ (147,513) | $ 122,134,853 |
| Accumulated depreciation: | | | | |
| Buildings and Improvements | $ (35,584,862) | $ (2,870,117) | $ - | $ (38,454,979) |
| Machinery and Equipment | (4,348,781) | (1,150,241) | 147,513 | (5,351,509) |
| Total accumulated depreciation | $ (39,933,643) | $ (4,020,358) | $ 147,513 | $ (43,806,488) |
| Total capital assets being depreciated, net | $ 81,937,569 | $ (3,609,204) | $ - | $ 78,328,365 |
| Governmental activities capital assets, net | $ 83,114,197 | $ (3,609,204) | $ - | $ 79,504,993 |

**Note 9-Risk Management:**

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

**Note 10-Other Postemployment Benefits – Health Insurance:**

***Plan Description***

The Authority administers a cost-sharing defined benefit healthcare plan, The Plan. Two entities participate in the defined benefit healthcare plan through the Authority and the participating entities report their proportionate information on the basis of a cost-sharing plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Authority's pension plan. The plan does not issue a publicly available financial report.

***Benefits Provided***

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

**Note 10-Other Postemployment Benefits – Health Insurance: (continued)**

***Contributions***

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Authority. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2022 was $126,270.

***Total OPEB Liability***

The Authority's total OPEB liability was measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, and rolled forward to the measurement date of June 30, 2022.

***Actuarial Assumptions***

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases | The salary increase rate starts at 5.35% for 1 year of service and gradually declines to 3.50% for 20 or more years of service |
| Discount Rate | 2.16% as of June 30, 2021; 3.54% as of June 30, 2022 |

***Mortality Rates:***

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service-related.
- Post-Retirement: RP-2014 Employee Rates to age 49. Health Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.
- Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

***Discount Rate***

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer General Obligation 20-Bond Municipal index as of the measurement date.

***Total OPEB Liability***

At June 30, 2022, the Southwest Virginia Regional Jail Authority reported a liability of $5,196,380 for its proportionate share of the Total OPEB Liability. The Total OPEB Liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of January 1, 2021. At June 30, 2022 and 2021, the Southwest Virginia Regional Jail Authority's proportion was 97.90% and 97.77%, respectively.

**Note 10-Other Postemployment Benefits – Health Insurance: (continued)**

***Sensitivity of the Authority's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current discount rate:

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (2.54%) | Current Discount (3.54%) | 1% Increase (4.54%) |
| Authority's proportionate share of the Total OPEB liability | $ 5,771,009 | $ 5,196,380 | $ 4,688,473 |

***Sensitivity of the Authority's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.40% decreasing to 3.00% by 2074) or one percentage point higher (6.40% decreasing to 5.00% by 2074) than the current healthcare cost trend rates:

| | Rate | | |
|---|---|---|---|
| | 1% Decrease | Healthcare Cost Trend | 1% Increase |
| | (4.40% decreasing to 3.00%) | (5.40% decreasing to 4.00%) | (6.40% decreasing to 5.00%) |
| Authority's proportionate share of the Total OPEB liability | $ 4,449,589 | $ 5,196,380 | $ 6,101,942 |

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

For the year ended June 30, 2022, the Authority recognized OPEB expense in the amount of $859,941. At June 30, 2022, the Authority reported deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 330,569 | $ 197,660 |
| Change in assumptions | 1,121,849 | 808,363 |
| Total | $ 1,452,418 | $ 1,006,023 |

**Note 10-Other Postemployment Benefits – Health Insurance: (continued)**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)***

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

| Year ended June 30 | Primary Government |
|---|---|
| 2023 | $ 66,486 |
| 2024 | 66,486 |
| 2025 | 73,991 |
| 2026 | 81,495 |
| 2027 | 88,552 |
| Thereafter | 69,385 |

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

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

***Plan Description***

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

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

The specific information for GLI Program 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 11-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, seatbelt 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 $8,722 as of June 30, 2022.

***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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% 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, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were $86,661 and $83,429 for the years ended June 30, 2022 and June 30, 2021, 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, 2022, the entity reported a liability of $871,184 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.07653% as compared to 0.07704% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of $14,533. 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 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

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

At June 30, 2022, 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 | $ 99,362 | $ 6,638 |
| Change in assumptions | 48,029 | 119,196 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 207,933 |
| Change in proportionate share | - | 52,651 |
| Employer contributions subsequent to the measurement date | 86,661 | - |
| Total | $ 234,052 | $ 386,418 |

$86,661 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, 2023. 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 | Primary Government |
|---|---|
| 2023 | $ (64,074) |
| 2024 | (48,849) |
| 2025 | (43,870) |
| 2026 | (68,790) |
| 2027 | (13,444) |
| Thereafter | - |

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. 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 Annual Report.

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

***Actuarial Assumptions (continued)***

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

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

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

*Actuarial Assumptions (continued)*

**Mortality Rates – Non-Largest Ten Locality Employers – General Employees (continued)**

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; charged final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

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

*Actuarial Assumptions: (Continued)*

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

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age for 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

***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, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

| | GLI OPEB Plan |
|---|---|
| Total GLI OPEB Liability | $ 3,577,346 |
| Plan Fiduciary Net Position | 2,413,074 |
| GLI Net OPEB Liability (Asset) | $ 1,164,272 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 67.45% |

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

**Note 11-Group Life Insurance (GLI) Plan (OPEB 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) | Long-Term Target Asset Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|---|---|---|---|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP - Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | 100.00% | | 4.89% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.39% |

* The above allocation provides a one-year return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

***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 employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, 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, 2021 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 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

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

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| Authority's proportionate share of the GLI Plan Net OPEB Liability | $ 1,272,831 | $ 871,184 | $ 546,836 |

***GLI Plan Fiduciary Net Position***

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 12-Summary of OPEB Related Items:**

| | Deferred Outflows | Deferred Inflows | Net OPEB Liability | OPEB Expense |
|---|---|---|---|---|
| Stand-Alone Plan (Note 10) | $ 1,452,418 | $ 1,006,023 | $ 5,196,380 | $ 859,941 |
| VRS OPEB Plans: | | | | |
| Group Life Insurance Plan (Note 11) | 234,052 | 386,418 | 871,184 | 14,533 |
| Totals | $ 1,686,470 | $ 1,392,441 | $ 6,067,564 | $ 874,474 |

**Note 13-Line of Duty Act (LODA) (OPEB Benefits):**

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by Title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Authority has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Authority to VACORP. VACORP assumes all liability for the Authority's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

**Note 13-Line of Duty Act (LODA) (OPEB Benefits): (Continued)**

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Authority's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The Authority's LODA premium for the year ended June 30, 2022 was $143,518.

**Note 14-Litigation:**

As of June 30, 2022, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable.

**Note 15-Upcoming Pronouncements:**

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

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

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

Statement No. 99, Omnibus 2022, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, Compensated Absences, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

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

# Required Supplementary Information

**SOUTHWEST VIRGINIA REGIONAL JAIL AUTHORITY**
**Schedule of Revenues, Expenditures and Changes in Fund Balances**
**Budget and Actual-General Fund**
**For the Year Ended June 30, 2022**

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Revenues: | | | | |
| Revenue from local sources: | | | | |
| Charges to participating jurisdictions: | | | | |
| Buchanan County | $ 1,936,988 | $ 1,936,988 | $ 1,848,826 | $ (88,162) |
| Dickenson County | 1,291,325 | 1,291,325 | 929,097 | (362,228) |
| Lee County | 1,807,854 | 1,807,854 | 1,634,991 | (172,863) |
| Russell County | 2,324,385 | 2,324,385 | 1,961,192 | (363,193) |
| Scott County | 2,518,083 | 2,518,083 | 2,184,144 | (333,939) |
| Smyth County | 2,518,083 | 2,518,083 | 1,685,982 | (832,101) |
| Tazewell County | 3,680,277 | 3,680,277 | 3,171,295 | (508,982) |
| Washington County | 4,132,240 | 4,132,240 | 3,266,600 | (865,640) |
| City of Norton | 258,264 | 258,264 | 119,490 | (138,774) |
| Wise County | 2,647,216 | 2,647,216 | 1,967,069 | (680,147) |
| Charges to non-participating jurisdictions | - | - | 1,183,782 | 1,183,782 |
| Charges to Federal Government | 1,660,750 | 1,660,750 | 1,922,733 | 261,983 |
| Interest Income | 27,000 | 27,000 | 1,804 | (25,196) |
| Miscellaneous: | | | | |
| Work Release Program | 13,000 | 13,000 | 71 | (12,929) |
| Inmate Telephone Income | 480,000 | 480,000 | 1,231,920 | 751,920 |
| Video Visitation | - | - | 306,324 | 306,324 |
| Commissary Commissions | 1,115,000 | 1,115,000 | 1,062,353 | (52,647) |
| Co-payment and Medical Services | 135,000 | 135,000 | 92,521 | (42,479) |
| Other Miscellaneous Revenue | 652,800 | 652,800 | 880,624 | 227,824 |
| Total revenue from local sources | $ 27,198,265 | $ 27,198,265 | $ 25,450,818 | $ (1,747,447) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Reimbursement of salaries and fringes | $ 17,569,001 | $ 17,569,001 | $ 17,279,243 | $ (289,758) |
| State per diems | 3,564,116 | 3,564,116 | 3,070,036 | (494,080) |
| Other | 240,000 | 240,000 | 267,217 | 27,217 |
| Total revenue from the Commonwealth | $ 21,373,117 | $ 21,373,117 | $ 20,616,496 | $ (756,621) |
| Revenue from the Federal Government: | | | | |
| Categorical aid: | | | | |
| FEMA COVID19 Grant | $ - | $ - | $ 538,298 | $ 538,298 |
| ARPA Funds through Comp Board | - | - | 1,062,506 | 1,062,506 |
| Total revenue from the Federal Government | $ - | $ - | $ 1,600,804 | $ 1,600,804 |
| Total revenues | $ 48,571,382 | $ 48,571,382 | $ 47,668,118 | $ (903,264) |
| Expenditures: | | | | |
| Operating Expenditures: | | | | |
| Employee Costs | $ 26,852,761 | $ 26,852,761 | $ 25,413,760 | $ 1,439,001 |
| Contractual Services | 1,029,972 | 1,029,972 | 1,087,428 | (57,456) |
| Support Services | 50,290 | 50,290 | 44,913 | 5,377 |
| Utilities | 2,645,500 | 2,645,500 | 2,472,465 | 173,035 |
| Medical Services | 7,625,628 | 7,625,628 | 7,550,358 | 75,270 |
| Medical Supplies | | - | 41,808 | (41,808) |
| Insurance | 1,730,350 | 1,730,350 | 687,694 | 1,042,656 |
| Travel | 62,650 | 62,650 | 63,603 | (953) |
| Office Supplies | 133,650 | 133,650 | 122,780 | 10,870 |
| Facility and Maintenance Supplies | 829,261 | 829,261 | 948,176 | (118,915) |
| Inmate Supplies | 531,350 | 531,350 | 495,438 | 35,912 |
| Correctional Supplies | 172,000 | 172,000 | 357,032 | (185,032) |

**SOUTHWEST VIRGINIA REGIONAL JAIL AUTHORITY**
**Schedule of Revenues, Expenditures and Changes in Fund Balances**
**Budget and Actual-General Fund**
**For the Year Ended June 30, 2022**

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Expenditures: (Continued) | | | | |
| Food Services | $ 2,499,970 | $ 2,499,970 | $ 2,415,649 | $ 84,321 |
| Equipment | 8,000 | 8,000 | 815,922 | (807,922) |
| Debt Services: | | | | |
| Principal | $ 2,790,000 | $ 2,790,000 | $ 2,790,000 | $ - |
| Interest | 1,610,000 | 1,610,000 | 1,573,910 | 36,090 |
| Total expenditures | $ 48,571,382 | $ 48,571,382 | $ 46,880,936 | $ 1,690,446 |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ - | $ 787,182 | $ 787,182 |
| Net change in fund balance | $ - | $ - | $ 787,182 | $ 787,182 |
| Fund balance, beginning of year | - | - | 24,390,464 | 24,390,464 |
| Fund balance, end of year | $ - | $ - | $ 25,177,646 | $ 25,177,646 |

**Southwest Virginia Regional Jail Authority**
**Schedule of the Authority's Proportionate Share of the Net Pension Liability (Asset)**
**For the Measurement Dates of June 30, 2014 through June 30, 2021**

**Southwest Virginia Regional Jail Authority's Pension Plan (a cost-sharing multiple employer plan administered by the VRS)**

| Date (1) | Proportion of the Net Pension Liability (Asset) (NPLA) (2) | Proportionate Share of the NPLA (3) | Covered Payroll (4) | Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4) (5) | Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6) |
|---|---|---|---|---|---|
| 2021 | 97.84% | $ (9,991,886) | 15,405,812 | -64.86% | 125.69% |
| 2020 | 97.84% | (2,467,387) | 15,465,677 | -15.95% | 107.05% |
| 2019 | 97.63% | (2,039,063) | 14,864,586 | -13.72% | 106.12% |
| 2018 | 98.15% | (3,232,783) | 15,375,390 | -21.03% | 111.20% |
| 2017 | 98.14% | (2,358,397) | 14,955,934 | -15.77% | 109.03% |
| 2016 | 97.99% | 430,287 | 15,235,057 | 2.82% | 98.24% |
| 2015 | 97.95% | (366,512) | 13,155,194 | -2.79% | 101.72% |
| 2014 | 97.95% | 241,115 | 11,638,410 | 2.07% | 98.74% |

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

**Southwest Virginia Regional Jail Authority**
**Schedule of Employer Contributions**
**Pension Plan**
**For the Years Ended June 30, 2015 through June 30, 2022**

**Southwest Virginia Regional Jail Authority's Pension Plan (a cost-sharing multiple employer plan administered by the VRS)**

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (1) - (2) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (2)/(4) (5) |
|---|---|---|---|---|---|
| 2022 | $ 1,652,522 | $ 1,652,522 | - | $ 16,002,230 | 10.33% |
| 2021 | 1,596,051 | 1,596,051 | - | 15,405,812 | 10.36% |
| 2020 | 1,661,753 | 1,661,753 | - | 15,465,677 | 10.74% |
| 2019 | 1,599,050 | 1,599,050 | - | 14,864,586 | 10.76% |
| 2018 | 1,644,366 | 1,644,366 | - | 15,375,390 | 10.69% |
| 2017 | 1,607,168 | 1,607,168 | - | 14,955,934 | 10.75% |
| 2016 | 1,940,571 | 1,940,571 | - | 15,235,057 | 12.74% |
| 2015 | 1,674,795 | 1,674,795 | - | 13,155,194 | 12.73% |

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

**Southwest Virginia Regional Jail Authority**
**Notes to Required Supplementary Information**
**Pension Plan**
**For the Year Ended June 30, 2022**

**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, 2020, valuations were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 healthy, post-retirement healthy and disabled | Update to Pub-2010 public sector mortality tables. For future mortaility improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

All Others (Non 10 Largest) – Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement healthy, and disabled | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortaility improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Exhibit 13**

**Southwest Virginia Regional Jail Authority**
**Schedule of the Authority's Proportionate Share of Total OPEB Liability (Asset)**
**For the Measurement Dates of June 30, 2018 through June 30, 2022**

| Date (1) | Employer's Proportion of the Total OPEB Liability (Asset) (TOLA) (2) | Employer's Proportionate Share of the TOLA (3) | Employer's Covered-employee Payroll (4) | Proportionate Share of the TOLA as a Percentage of Covered-employee Payroll (3)/(4) (5) |
|---|---|---|---|---|
| 2022 | 97.90% | $ 5,196,380 | $ 15,137,107 | 34.33% |
| 2021 | 97.77% | 5,333,809 | 15,116,296 | 35.29% |
| 2020 | 97.65% | 3,188,446 | 14,049,470 | 22.69% |
| 2019 | 100.00% | 2,722,688 | 14,535,004 | 18.73% |
| 2018 | 100.00% | 3,013,454 | 14,227,430 | 21.18% |

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

**Southwest Virginia Regional Jail Authority**
**Notes to Required Supplementary Information - Health Insurance Plan**
**For the Year Ended June 30, 2022**

Valuation Date: 1/1/2021
Measurement Date: 6/30/2022

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

*Methods and assumptions used to determine OPEB liability:*

| | |
|---|---|
| Actuarial Cost Method | Entry age normal level % of salary |
| Discount Rate | 2.16% as of June 30, 2021; 23.54% as of June 30, 2022 |
| Inflation | 2.50% per year as of June 30, 2021; 2.50% per year as of June 30, 2022 |
| Healthcare Trend Rate | The healthcare trend rate assumption starts at 5.80% in 2021 and gradually declines to 4.00% by the year 2074 |
| Salary Increase Rates | The salary increase rate starts at 5.35% for 1 year of service and gradually declines to 3.50% for 20 or more years of service |
| Retirement Age | The average age at retirement is 62 |
| Mortality Rates | Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service-related. Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older project with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates. |

Exhibit 15

**Southwest Virginia Regional Jail Authority**
**Schedule of Authority's Share of Net OPEB Liability**
**Group Life Insurance (GLI) Plan**
**For the Measurement Dates of June 30, 2017 through June 30, 2021**

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (Asset) (2) (a) | 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) |
|---|---|---|---|---|---|
| 2021 | 0.07653% | $ 871,184 | $ 15,452,627 | 5.64% | 52.64% |
| 2020 | 0.07704% | 1,255,501 | 15,483,022 | 8.11% | 52.64% |
| 2019 | 0.07733% | 1,234,016 | 14,877,960 | 8.29% | 52.00% |
| 2018 | 0.08088% | 1,205,413 | 15,375,390 | 7.84% | 51.22% |
| 2017 | 0.08108% | 1,197,247 | 14,955,934 | 8.01% | 48.86% |

(a) Statewide allocation. Locally allocated to Southwest Virginia Criminal Justice Training Academy (2.2259%) and Southwest Virginia Regional Jail Authority (97.7741) for the 2021 measurement date.

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.

Exhibit 16

**Southwest Virginia Regional Jail Authority**
**Schedule of Employer Contributions**
**Group Life Insurance (GLI) Plan**
**For the Years Ended June 30, 2017 through June 30, 2022**

| 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) |
|---|---|---|---|---|---|
| 2022 | $ 86,661 | $ 86,661 | $ - | $ 16,047,049 | 0.54% |
| 2021 | 83,429 | 83,429 | - | 15,452,627 | 0.54% |
| 2020 | 80,511 | 80,511 | - | 15,483,022 | 0.52% |
| 2019 | 77,299 | 77,299 | - | 14,877,960 | 0.52% |
| 2018 | 78,505 | 78,505 | - | 15,375,390 | 0.51% |
| 2017 | 76,321 | 76,321 | - | 14,955,934 | 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.

**Southwest Virginia Regional Jail Authority**
**Notes to Required Supplementary Information**
**Group Life Insurance (GLI) Plan**
**For the Year Ended June 30, 2022**

**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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. For future mortaility improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortaility improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

# Compliance

ROBINSON, FARMER, COX ASSOCIATES, PLLC
*Certified Public Accountants*

CPAs | CONSULTANTS

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

**To the Honorable Members of**
**Southwest Virginia Regional Jail Authority**
**Abingdon, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the remaining fund information of Southwest Virginia Regional Jail Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Southwest Virginia Regional Jail Authority's basic financial statements and have issued our report thereon dated October 23, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 23, 2022

## Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**To the Honorable Members of**
**Southwest Virginia Regional Jail Authority**
**Abingdon, Virginia**

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each Major Federal Program*

We have audited Southwest Virginia Regional Jail Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southwest Virginia Regional Jail Authority's major federal programs for the year ended June 30, 2022. Southwest Virginia Regional Jail Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Southwest Virginia Regional Jail Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Southwest Virginia Regional Jail Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Southwest Virginia Regional Jail Authority's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Southwest Virginia Regional Jail Authority's federal programs.

### *Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Southwest Virginia Regional Jail Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Southwest Virginia Regional Jail Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Southwest Virginia Regional Jail Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Southwest Virginia Regional Jail Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Southwest Virginia Regional Jail Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 23, 2022

**Southwest Virginia Regional Jail Authority**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2022**

| Federal Grantor/ Pass-through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-through Entity Identifying Number | | Federal Expenditures |
|---|---|---|---|---|
| Department of Homeland Security: | | | | |
| Pass-through payments from: | | | | |
| Virginia Department of Emergency Management: | | | | |
| COVID-19-Disaster Grants-Public Assistance (Presidentially Declared Disasters) | 97.036 | 4512 Covid-19 | $ | 538,298 |
| Department of Treasury: | | | | |
| Pass-through payments from: | | | | |
| Virginia Department of Criminal Justice Services: | | | | |
| COVID-19 - ARPA - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 2207FFARPA | | 1,062,506 |
| Total Expenditures of Federal Awards | | | $ | 1,600,804 |

Notes to Schedule of Expenditures of Federal Awards

Note A-Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Southwest Virginia Regional Jail Authority under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budgets Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Southwest Virginia Regional Jail Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Southwest Virginia Regional Jail Authority.

Note B-Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB's Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C-De Minimis Cost Rate:

Southwest Virginia Regional Jail Authority did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note D-Subrecipients:

Southwest Virginia Regional Jail Authority did not have any subrecipients for the year ended June 30, 2022.

Note E-Relationship to the Financial Statements:

| | | |
|---|---|---|
| Federal grant revenue per the basic financial statements | $ | 1,600,804 |

**Southwest Virginia Regional Jail Authority**
**Schedule of Findings and Questioned Costs**
**For the Year Ended June 30, 2022**

## Section I - Summary of Auditors' Results

***Financial Statements***

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |

***Federal Awards***

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |

Identification of major programs:

| Assistance Listing # | Name of Federal Program or Cluster |
|---|---|
| 21.027 | COVID-19 - ARPA - Coronavirus State and Local Fiscal Recovery Funds |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs | $750,000 |
| Auditee qualified as low-risk auditee? | No |

## Section II - Financial Statement Findings

There are no financial statement findings to report.

## Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.