

NORTHWESTERN REGIONAL JAIL AUTHORITY

WINCHESTER, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

NORTHWESTERN REGIONAL JAIL AUTHORITY

Winchester, Virginia

Financial Report
Year Ended June 30, 2019

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- INTRODUCTORY SECTION -

Northwestern Regional Adult Detention Center

James F. Whitley - Superintendent



141 Fort Collier Road, Winchester, VA 22603
(540) 665-6374 (540) 665-1615 FAX

January 22, 2020

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

Dear Jail Authority Members:

The Northwestern Regional Adult Detention Center Annual Financial Report for fiscal year 2019 is attached. To the best of our knowledge the data is accurate and accurately represents the financial position of the Regional Adult Detention Center in a fair and objective manner.

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

THE REPORTING ENTITY

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

ECONOMIC CONDITIONS AND OUTLOOK

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

Northwestern Regional Adult Detention Center

James F. Whitley - Superintendent



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

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

FINANCIAL INFORMATION

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

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

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

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

Northwestern Regional Adult Detention Center

James F. Whitley - Superintendent



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ACKNOWLEDGEMENTS

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

Respectfully,

A handwritten signature in blue ink that reads "James F. Whitley". The signature is written in a cursive style with a large initial "J".

James F. Whitley
Superintendent

- FINANCIAL SECTION -



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Northwestern Regional Jail Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Northwestern Regional Jail Authority, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2019, the Authority adopted new accounting guidance, GASB Statement Nos. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-6 and 36-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Report on Summarized Comparative Information

We have previously audited Northwestern Regional Jail Authority's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2020, on our consideration of Northwestern Regional Jail Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northwestern Regional Jail Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwestern Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
January 22, 2020

Management's Discussion and Analysis

The following is a discussion and analysis of Northwestern Regional Jail Authority's financial performance for the fiscal year ended June 30, 2019. This information is in conjunction with the Superintendent's transmittal letter and included with the annual audit report.

Financial Highlights:

Accrual Basis Statements

At the end of the fiscal year, Northwestern Regional Jail Authority ("the Authority") reported an ending net position balance of \$12,536,012, an increase of \$474,249 from the prior year. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial health of the Authority is improving or deteriorating.

The Authority holds long-term debt of \$15,641,636; consisting of Revenue Bonds payable in annual installments for 20 years and VRA Bonds payable in annual installments for 15 years. The Authority also has a net pension liability of \$5,593,056 and a net OPEB liability of \$1,115,552.

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

Table 1
Summary of Statement of Net Position
At June 30, 2019 and June 30, 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Current assets	\$ 10,336,774	\$ 10,673,506
Capital assets	24,471,419	24,985,742
Total assets	<u>\$ 34,808,193</u>	<u>\$ 35,659,248</u>
Deferred outflows of resources	\$ 3,470,780	\$ 2,809,812
Total assets and deferred outflows	<u>\$ 38,278,973</u>	<u>\$ 38,469,060</u>
Current liabilities	\$ 2,324,813	\$ 1,849,578
Noncurrent liabilities	22,302,643	22,986,872
Total liabilities	<u>\$ 24,627,456</u>	<u>\$ 24,836,450</u>
Deferred inflows of resources	\$ 1,115,505	\$ 1,570,847
Net investment in capital assets	\$ 9,474,199	\$ 9,554,447
Unrestricted	3,061,813	2,507,316
Total net position	<u>\$ 12,536,012</u>	<u>\$ 12,061,763</u>
Total liabilities, deferred inflows, and net position	<u>\$ 38,278,973</u>	<u>\$ 38,469,060</u>

Modified Accrual and Budgetary Audit Statements

At the end of the fiscal year, the Authority reported an ending fund balance of \$9,441,085, a decrease of \$778,208.

Overview:

Comparison of revenues and expenses from fiscal year 2018 to 2019 provide the following information:

Accrual Basis Statements

- Fiscal year 2019 revenues were \$21,636,935; fiscal year 2019 expenses were \$21,636,935, which included \$1,405,757 of depreciation expense, which is a noncash expense.
- Fiscal year 2018 revenues were \$21,536,243; fiscal year 2018 expenses were \$19,859,695, which included \$1,114,053 of depreciation expense, which is a noncash expense.

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

Table 2
Summary of Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and June 30, 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Local and other per diems	\$ 12,962,367	\$ 13,200,126
Commonwealth of Virginia jail costs	1,262,517	1,246,476
Other operating revenues	1,079,496	986,371
Commonwealth of Virginia State Compensation Board	5,596,561	5,450,677
Other nonoperating revenues	735,994	652,593
Total revenues	<u>\$ 21,636,935</u>	<u>\$ 21,536,243</u>
Personnel and fringes	\$ 14,937,243	\$ 14,426,895
Other operating expenses	5,717,284	4,889,380
Other nonoperating expenses	508,159	543,420
Total expenses	<u>\$ 21,162,686</u>	<u>\$ 19,859,695</u>
Change in net position	\$ 474,249	\$ 1,676,548
Net position, beginning of year, as restated	<u>12,061,763</u>	<u>10,385,215</u>
Net position, end of year	<u><u>\$ 12,536,012</u></u>	<u><u>\$ 12,061,763</u></u>

Modified Accrual and Budgetary Basis Statements

- In fiscal year 2019, the Authority’s revenues were \$21,636,935, an increase of \$100,692 from 2018 revenues of \$21,536,243.
- In fiscal year 2019, the Authority’s expenditures were \$22,415,143 an increase of \$2,072,058 from 2018 expenditures of \$20,343,085.
- In fiscal year 2019, the Authority’s revenues of \$21,636,935 were under expenditures of \$22,415,143 by \$778,208.

Budgetary Overview

In fiscal year 2019, the Authority’s revenues of \$21,636,935 exceeded budgeted revenues of \$21,472,767 by \$164,168. The Authority’s expenditures of \$22,415,143 were under budgeted expenditures of \$23,015,077 by \$571,260.

Additional Analysis

Applying the annual inmate average daily population (ADP) rate to expenditures, an average per annum was derived for fiscal year 2018 and 2019 for comparison. With an ADP of 605 inmates per day in FY18, the per annum cost per inmate was approximately \$33,625. In FY19, the ADP was 613 and the per annum cost increased to approximately \$36,566.

There was an increase in FY19 in the number of Out of Compliance inmates occupying beds in the Authority. Out of Compliance inmates, those state responsible inmates remaining in local custody 90 or more days after sentencing, increased from an average of 110 individuals in FY18 to 123 in FY19.

As occurred in FY18, fluctuations in the jurisdiction’s use of the Authority over the previous three (3) years created changes in the distribution of locality shares. Frederick County’s share of the cost of operations decreased from 41.10% in FY18 to 40.23% in FY19. Clarke County’s share decreased from 4.20% to 4.13%, Fauquier County’s share increased from 17.29% to 18.13%, and Winchester’s share increased from 37.41% to 37.51%.

The Frederick County Government (fiscal agent) application and method of determining capital assets changed in 2003 to include only those capital equipment expenses exceeding \$5,000. Capital assets, net of accumulated depreciation, decreased from FY18 to FY19 due to current year depreciation. See Note 5 for details.

FY2019 assets	\$24,471,419	FY2018 assets	\$24,985,742
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The long-term liabilities indicated in the audit are bonds payable and reserves held for payment of accrued compensated absences, net OPEB liability, and net pension liability less deferred charge on refunding. These liabilities decreased from FY18 to FY19, due to the decrease in the net pension liability and repayment of long-term debt. See Note 6 for details.

FY2019 accrual	\$23,731,767	FY2018 accrual	\$24,382,237
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Additional information contained in this report applies to funds held for inmates and canteen operations. Northwestern Regional Jail Authority is the fiduciary custodian of all funds received from inmates or on behalf of inmates. Such funds are deposited and controlled on behalf of the inmate. Accountability methods adhere to generally accepted accounting practices and are subject to annual audit. Practical internal controls are established in the form of clearly detailed policies and procedures that provide a system of checks and balances to protect fiduciary funds from theft or fraud.

- Basic Financial Statements -

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Statement of Net Position
At June 30, 2019
(With Comparative Totals for 2018)**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,204,837	\$ 9,754,520
Accounts receivable	309,905	127,187
Due from other governments	822,032	791,799
Total current assets	<u>\$ 10,336,774</u>	<u>\$ 10,673,506</u>
Noncurrent assets:		
Land and construction in progress	\$ 600,375	\$ 2,538,457
Other capital assets, net of accumulated depreciation	23,871,044	22,447,285
Net capital assets	<u>\$ 24,471,419</u>	<u>\$ 24,985,742</u>
Total assets	<u>\$ 34,808,193</u>	<u>\$ 35,659,248</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	\$ 644,416	\$ 690,446
OPEB deferrals	184,514	117,297
Pension deferrals	2,641,850	2,002,069
Total deferred outflows of resources	<u>\$ 3,470,780</u>	<u>\$ 2,809,812</u>
Total assets and deferred outflows of resources	<u>\$ 38,278,973</u>	<u>\$ 38,469,060</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 895,689	\$ 454,213
Compensated absences, current portion	276,305	282,546
Bonds payable, current portion	1,052,500	1,012,500
Bond premium, current portion	100,319	100,319
Total current liabilities	<u>\$ 2,324,813</u>	<u>\$ 1,849,578</u>
Noncurrent liabilities:		
Compensated absences, less current portion	\$ 1,105,218	\$ 1,130,183
Bonds payable, less current portion	14,117,500	15,170,000
Bond premium, less current portion	371,317	471,636
Net OPEB liability	1,115,552	1,109,103
Net pension liability	5,593,056	5,105,950
Total noncurrent liabilities	<u>\$ 22,302,643</u>	<u>\$ 22,986,872</u>
Total liabilities	<u>\$ 24,627,456</u>	<u>\$ 24,836,450</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	\$ 1,012,583	\$ 1,447,575
OPEB deferrals	102,922	123,272
Total deferred inflows of resources	<u>\$ 1,115,505</u>	<u>\$ 1,570,847</u>
NET POSITION		
Net investment in capital assets	\$ 9,474,199	\$ 9,554,447
Unrestricted	3,061,813	2,507,316
Total net position	<u>\$ 12,536,012</u>	<u>\$ 12,061,763</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 38,278,973</u>	<u>\$ 38,469,060</u>

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2019

(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Care of prisoners:		
Local and other per diems	\$ 12,962,367	\$ 13,200,126
Commonwealth of Virginia jail costs	1,262,517	1,246,476
Federal	1,998	885
Work release	362,240	339,992
Other	715,258	645,494
Total operating revenues	<u>\$ 15,304,380</u>	<u>\$ 15,432,973</u>
Operating expenses:		
Personnel	\$ 10,608,550	\$ 10,242,047
Fringes	4,328,693	4,184,848
Contractual	1,578,603	1,042,099
Other charges	2,732,924	2,733,228
Depreciation	1,405,757	1,114,053
Total operating expenses	<u>\$ 20,654,527</u>	<u>\$ 19,316,275</u>
Net operating income (loss)	<u>\$ (5,350,147)</u>	<u>\$ (3,883,302)</u>
Nonoperating revenues (expenses):		
Commonwealth of Virginia State Compensation Board	\$ 5,596,561	\$ 5,450,677
Other State grants	531,657	531,008
Interest income	204,337	121,585
Interest expense	(508,159)	(543,420)
Net nonoperating revenues (expenses)	<u>\$ 5,824,396</u>	<u>\$ 5,559,850</u>
Change in net position	\$ 474,249	\$ 1,676,548
Net position, beginning of year, as restated	<u>12,061,763</u>	<u>10,385,215</u>
Net position, end of year	<u><u>\$ 12,536,012</u></u>	<u><u>\$ 12,061,763</u></u>

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Receipts from customers	\$ 15,091,429	\$ 15,492,904
Payments to suppliers	(3,870,051)	(3,928,044)
Payments to and for employees	(15,637,234)	(14,824,515)
Net cash flows provided by (used for) operating activities	\$ (4,415,856)	\$ (3,259,655)
Cash flows from noncapital and related financing activities:		
Government grants	\$ 6,128,218	\$ 5,981,685
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$ (891,434)	\$ (154,787)
Principal payments on debt	(1,012,500)	(982,500)
Interest paid on debt	(562,448)	(605,956)
Net cash flows provided by (used for) capital and related financing activities	\$ (2,466,382)	\$ (1,743,243)
Cash flows from investing activities:		
Interest income	\$ 204,337	\$ 121,585
Net increase (decrease) in cash and cash equivalents	\$ (549,683)	\$ 1,100,372
Cash and cash equivalents, beginning of year	9,754,520	8,654,148
Cash and cash equivalents, end of year	\$ 9,204,837	\$ 9,754,520
Reconciliation of net operating income (loss) to net cash provided by (used for) operating activities:		
Net operating income (loss)	\$ (5,350,147)	\$ (3,883,302)
Adjustments to reconcile net operating income (loss) to cash used in operating activities:		
Depreciation	1,405,757	1,114,053
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable and due from other governments	(212,951)	59,931
Pension deferrals - deferred outflows	(639,781)	1,130,474
OPEB deferrals - deferred outflows	(67,217)	(47,697)
Accounts payable	441,476	(152,717)
Compensated absences	(31,206)	45,665
Net pension liability	487,106	(2,830,580)
Net OPEB liability	6,449	(104,637)
OPEB deferrals - deferred inflows	(20,350)	123,272
Pension deferrals - deferred inflows	(434,992)	1,285,883
Net cash flows provided by (used for) operating activities	\$ (4,415,856)	\$ (3,259,655)

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements At June 30, 2019

NOTE 1 - FINANCIAL REPORTING ENTITY:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation:

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

1. Basis of Accounting:

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

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

2. Cash and Cash Equivalents:

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

3. Investments:

External investment pools are measured at amortized cost. All other investments are reported at fair value.

4. Capital Assets:

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

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2019 (Continued)

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

4. Capital Assets: (Continued)

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

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

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

5. Compensated Absences:

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

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

The liabilities for annual and sick leave have been recorded in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Accordingly, the amount of leave recognized as expense is the amount earned during the year.

6. Revenue Recognition:

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

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

7. Use of Estimates:

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

8. Allowance for Uncollectible Accounts:

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

9. Comparative Totals:

Comparative totals are presented for informational purposes only.

10. Deferred Outflows/Inflows of Resources:

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

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

11. Net Position:

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.

12. Net Position Flow Assumption:

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

13. Pensions:

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

14. Other Postemployment Benefits (OPEB)

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

NOTE 3 - DEPOSITS AND INVESTMENTS:

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

Deposits:

At year-end, the carrying value of the Authority's deposits with banks and savings institutions as part of the Frederick County pooled cash and investments was \$7,912,774. The bank balances are not separately determinable. Deposits held by the City of Winchester in a State Non-Arbitrage Program (SNAP) account were \$1,292,064.

At June 30, 2019, all of the Authority's bank balances were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. Of the pooled bank balances, no funds were uninsured and uncollateralized in banks or savings and loans not qualifying under the Act at June 30, 2019.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments:

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

Credit Risks:

Credit risk is the risk that a borrower will not be able to make payments and default on debt. The Authority's policy is to follow the statutes of the Commonwealth of Virginia and 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) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool and the Commonwealth of Virginia State Non-Arbitrage Program. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority currently has no formal policy relating to interest rate risk.

External Investment Pool:

The value of the position in the external investment pool is the same as the value of the pool shares. SNAP is an amortized cost basis portfolio under the provisions of GASB 79. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS:

	<u>Accounts Receivable</u>	<u>Due from Other Governments</u>
Commonwealth of Virginia	\$ -	\$ 821,867
Federal government	-	165
Other	309,905	-
Total	<u>\$ 309,905</u>	<u>\$ 822,032</u>

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 5 - CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 600,375	\$ -	\$ -	\$ 600,375
Construction in progress	1,938,082	633,526	2,571,608	-
Total capital assets not being depreciated	<u>\$ 2,538,457</u>	<u>\$ 633,526</u>	<u>\$ 2,571,608</u>	<u>\$ 600,375</u>
Capital assets being depreciated:				
Building and improvements	\$ 39,954,773	\$ 2,571,608	\$ 578,177	\$ 41,948,204
Equipment and vehicles	2,028,864	257,908	120,212	2,166,560
Total capital assets being depreciated	<u>\$ 41,983,637</u>	<u>\$ 2,829,516</u>	<u>\$ 698,389</u>	<u>\$ 44,114,764</u>
Less: Accumulated depreciation:				
Building and improvements	\$ 18,323,763	\$ 1,303,475	\$ 578,177	\$ 19,049,061
Equipment and vehicles	1,212,589	102,282	120,212	1,194,659
Total accumulated depreciation	<u>\$ 19,536,352</u>	<u>\$ 1,405,757</u>	<u>\$ 698,389</u>	<u>\$ 20,243,720</u>
Net capital assets being depreciated	<u>\$ 22,447,285</u>	<u>\$ 1,423,759</u>	<u>\$ -</u>	<u>\$ 23,871,044</u>
Net capital assets	<u><u>\$ 24,985,742</u></u>	<u><u>\$ 2,057,285</u></u>	<u><u>\$ 2,571,608</u></u>	<u><u>\$ 24,471,419</u></u>

NOTE 6 - LONG-TERM DEBT:

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

	<u>Balance June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
Direct Borrowings and Placements:				
Revenue Bonds	\$ 13,980,000	\$ -	\$ 765,000	\$ 13,215,000
VRA Bonds	2,202,500	-	247,500	1,955,000
Bond Premium	571,955	-	100,319	471,636
Other obligations:				
Compensated absences	1,412,729	251,340	282,546	1,381,523
Total	<u><u>\$ 18,167,184</u></u>	<u><u>\$ 251,340</u></u>	<u><u>\$ 1,395,365</u></u>	<u><u>\$ 17,023,159</u></u>

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 6 - LONG-TERM DEBT: (CONTINUED)

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

Fiscal Year	Revenue Bonds		VRA Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 790,000	\$ 440,125	\$ 262,500	\$ 97,772
2021	820,000	408,525	276,250	84,494
2022	850,000	383,925	292,500	70,258
2023	865,000	362,675	311,250	55,189
2024	900,000	332,400	331,250	39,109
2025-2029	4,860,000	1,189,275	481,250	26,934
2030-2033	4,130,000	367,850	-	-
Total	\$ <u>13,215,000</u>	\$ <u>3,484,775</u>	\$ <u>1,955,000</u>	\$ <u>373,756</u>

Details of long-term debt are as follows:

	<u>Total</u>	<u>Amount Due Within One Year</u>
\$495,000, Virginia Resources Authority Infrastructure and State Moral Obligation Revenue bonds series 2011A, issued May 18, 2011, maturing in various annual installments through October 1, 2025, interest paid semiannually at rates from 2.125% to 5.125%.	\$ 320,000	\$ 35,000
\$16,400,000, Revenue and Refunding bonds series 2013, issued April 9, 2013, maturing in various annual installments through July 1, 2033, interest paid semiannually at rates from 2.00% to 4.00%.	13,215,000	790,000
\$2,210,000, Virginia Resources Authority Infrastructure and State Moral Obligation Revenue bonds series 2016A, issued May 25, 2016, maturing in various annual installments through October 1, 2025, interest paid semiannually at rates from 4.506% to 5.125%.	<u>1,635,000</u>	<u>227,500</u>
Total long-term debt	\$ 15,170,000	\$ 1,052,500
Add: Bond premiums	<u>471,636</u>	<u>100,319</u>
Net long-term debt	<u>\$ 15,641,636</u>	<u>\$ 1,152,819</u>

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements At June 30, 2019 (Continued)

NOTE 7 - COMPENSATED ABSENCES:

In accordance with GASB accounting principles, the Authority has accrued the liability arising from all compensated absences. The amount of accrued vacation, compensatory time and sick pay totaled \$1,381,523 at June 30, 2019. This is a decrease of \$31,206 from the prior year.

NOTE 8 - PENSION PLAN:

Plan Description

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

Benefit Structures

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

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 8 - PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

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

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

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.

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 8 - PENSION PLAN: (CONTINUED)

Contributions: (Continued)

The Authority's contractually required employer contribution rate for the year ended June 30, 2019 was 10.74% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$1,593,556 and \$1,469,413 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

At June 30, 2019, the Authority reported a liability of \$5,593,056 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2017. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2018 and 2017 as a basis for allocation. At June 30, 2018 and 2017, the Authority's proportion was 33.856% and 34.627%, 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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 8 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 8 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County of Frederick, Virginia's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 8 - PENSION PLAN: (CONTINUED)

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

Mortality rates: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 8 - PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 8 - PENSION PLAN: (CONTINUED)

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

The following presents the Authority's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Net Pension Liability (Asset)	\$ 13,475,699	\$ 5,593,056	\$ (888,574)

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

For the year ended June 30, 2019, the Authority recognized pension expense of \$1,006,007. Since there was a change in proportionate share between measurement dates, a portion of pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,048,294	\$ 257,870
Change in assumptions	-	253,634
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	40,014
Net difference between projected and actual earnings on pension plan investments	-	461,065
Employer contributions subsequent to the measurement date	1,593,556	-
Total	<u>\$ 2,641,850</u>	<u>\$ 1,012,583</u>

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 8 - PENSION PLAN: (CONTINUED)

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

\$1,593,556 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2020	\$ 93,465
2021	37,870
2022	(122,624)
2023	27,000

Pension Plan Data

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

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

Plan Description

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

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

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

Eligible Employees

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2019 (Continued)

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

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$74,821 and 72,628 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$1,115,552 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.0735% as compared to 0.0737% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$19,636. 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.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2019 (Continued)

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

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

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 54,508	\$ 20,314
Net difference between projected and actual earnings on GLI OPEB program investments	-	36,226
Change in assumptions	-	46,382
Changes in proportion	55,185	-
Employer contributions subsequent to the measurement date	<u>74,821</u>	
Total	<u>\$ 184,514</u>	<u>\$ 102,922</u>

\$74,821 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (4,740)
2021	(4,740)
2022	(4,740)
2023	5,756
2024	10,157
Thereafter	5,078

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2019 (Continued)

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

Actuarial Assumptions (Continued)

Mortality Rates - Teachers: (Continued)

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

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

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

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

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2019 (Continued)

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

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	<u>1% Decrease (6.00%)</u>	<u>Current Discount (7.00%)</u>	<u>1% Increase (8.00%)</u>
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,457,835	\$ 1,115,552	\$ 837,595

GLI Program Fiduciary Net Position

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

At June 30, 2019, there were no matters of litigation involving the Authority that have an adverse material effect on the financial position of the Authority.

NOTE 11 - INMATE AND OTHER ACCOUNTS:

The Authority maintains accounting for inmate and canteen (commissary) activity funds. The balance of the inmate funds was \$169,397.

The Canteen Fund activity is summarized below:

Cash balance, beginning of year	\$ <u>282,247</u>
Receipts:	
Canteen sales	\$ <u>1,250,596</u>
Total receipts	\$ <u>1,250,596</u>
Disbursements:	
Inmate programs	\$ <u>1,080,908</u>
Total disbursements	\$ <u>1,080,908</u>
Cash balance, end of year	\$ <u><u>451,935</u></u>

NOTE 12 - OPERATING RESERVE FUND:

As a requirement of the jail expansion bond issue, the Authority is required to fund an operating reserve. At June 30, 2019, this fund totaled \$2,583,569.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 13 - PROBATION PROGRAM:

The financial activity for the Probation Program is included in the Authority's financial statements. The revenues and expenditures for the Probation Program for Fiscal Year 2019 are summarized below:

Revenues:	
Supervision fees	\$ 53,757
Drug testing fees	230
Miscellaneous	513
Revenue from the Commonwealth	<u>277,467</u>
Total revenues	<u>\$ 331,967</u>
Expenditures:	
Personnel	\$ 197,205
Fringes	78,923
Contractual	2,993
Other charges	<u>19,949</u>
Total expenditures	<u>\$ 299,070</u>
Excess of revenues over expenditures	<u><u>\$ 32,897</u></u>

NOTE 14 - ADOPTION OF ACCOUNTING PRINCIPLES:

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

Note 15 - UPCOMING PRONOUNCEMENTS:

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

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

- REQUIRED SUPPLEMENTARY INFORMATION -

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Schedule of Authority's Proportionate Share of the Net Pension Liability
Years Ended June 30, 2015 through June 30, 2019**

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

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

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Schedule of Employer Contributions - Pension
Years Ended June 30, 2015 through June 30, 2019**

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

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information - Pension
Year Ended June 30, 2019

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

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

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Authority's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2019

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

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

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions

Group Life Insurance Program

For the Years Ended June 30, 2017 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 74,821	\$ 74,821	\$ -	\$ 14,388,668	0.52%
2018	72,628	72,628	-	13,967,001	0.52%
2017	69,387	69,387	-	13,594,320	0.51%

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2019

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

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

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

- OTHER SUPPLEMENTARY INFORMATION -

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Basis
Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues:				
Care of prisoners:				
Local and other per diems	\$ 13,176,842	\$ 13,176,842	\$ 12,962,367	\$ (214,475)
Commonwealth of Virginia jail costs	1,350,000	1,350,000	1,262,517	(87,483)
Federal	-	-	1,998	1,998
Work release	350,628	350,628	362,240	11,612
Other	641,596	641,597	715,258	73,661
Total operating revenues	<u>\$ 15,519,066</u>	<u>\$ 15,519,067</u>	<u>\$ 15,304,380</u>	<u>\$ (214,687)</u>
Operating expenditures:				
Personnel	\$ 11,229,089	\$ 11,174,603	\$ 10,637,539	\$ 537,064
Fringes	5,098,005	5,154,066	4,999,696	154,370
Contractual	1,477,947	1,739,397	1,578,601	160,796
Other charges	3,310,325	3,038,240	2,732,925	305,315
Capital outlay	88,500	323,486	891,434	(567,948)
Total operating expenses	<u>\$ 21,203,866</u>	<u>\$ 21,429,792</u>	<u>\$ 20,840,195</u>	<u>\$ 589,597</u>
Net operating income (loss)	<u>\$ (5,684,800)</u>	<u>\$ (5,910,725)</u>	<u>\$ (5,535,815)</u>	<u>\$ 374,910</u>
Nonoperating revenues (expenses):				
Commonwealth of Virginia State				
Compensation Board	\$ 5,400,000	\$ 5,400,000	\$ 5,596,561	\$ 196,561
Other State grants	553,700	553,700	531,657	(22,043)
Interest and investment earnings	-	-	204,337	204,337
Principal payment on long-term debt	(1,012,500)	(1,012,500)	(1,012,500)	-
Interest and Bond Issuance Cost	(572,785)	(572,785)	(562,448)	10,337
Net nonoperating revenues (expenses)	<u>\$ 4,368,415</u>	<u>\$ 4,368,415</u>	<u>\$ 4,757,607</u>	<u>\$ 389,192</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,316,385)</u>	<u>\$ (1,542,310)</u>	<u>\$ (778,208)</u>	<u>\$ 764,102</u>
Change in fund balance	<u>\$ (1,316,385)</u>	<u>\$ (1,542,310)</u>	<u>\$ (778,208)</u>	<u>\$ 764,102</u>
Fund balance, beginning of year	<u>1,316,385</u>	<u>1,542,310</u>	<u>10,219,293</u>	<u>8,676,983</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,441,085</u>	<u>\$ 9,441,085</u>

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Reconciliation of the Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budgetary Basis to the Statement of Net Position and
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2019**

Fund balance, end of year	\$	9,441,085
Capital assets, net of accumulated depreciation		24,471,419
Deferred charge on refunding		644,416
Pension deferrals - deferred outflows		2,641,850
OPEB deferrals - deferred outflows		184,514
Long-term debt		(15,641,636)
Net pension liability		(5,593,056)
Net OPEB liability		(1,115,552)
Compensated absences		(1,381,523)
OPEB deferrals - deferred inflows		(102,922)
Pension deferrals - deferred inflows		(1,012,583)
		(1,012,583)
Net position, per Statement of Net Position	\$	12,536,012
Reconciliation of excess (deficiency) of revenues over (under) expenditures to change in net position per the Statement of Revenues, Expenses, and Changes in Net Position:		
Change in fund balance	\$	(778,208)
Purchase of capital assets		891,434
Depreciation expense		(1,405,757)
Principal payment on long-term debt		1,012,500
Amortization of bond premium/refunding		54,289
Increase (decrease) in pension deferred outflows of resources		639,781
Increase (decrease) in OPEB deferred outflows of resources		67,217
(Increase) decrease in compensated absences		31,206
(Increase) decrease in net pension liability		(487,106)
(Increase) decrease in net OPEB liability		(6,449)
(Increase) decrease in OPEB deferred inflows of resources		20,350
(Increase) decrease in pension deferred inflows of resources		434,992
		434,992
Change in net position	\$	474,249

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Schedule of Revenues
Year Ended June 30, 2019
(With Comparative Totals for 2018)**

	2019	2018
Interest on investments and earnings	\$ 204,337	\$ 121,585
Commonwealth of Virginia jail costs	1,262,517	1,246,476
Commonwealth of Virginia State Compensation Board	5,596,561	5,450,677
Other State grants	531,657	531,008
Prisoner Housing:		
Federal	1,998	885
Work release	362,240	339,992
Miscellaneous	14,489	7,855
Telephone commissions	440,059	396,466
Food and staff reimbursements	81,157	90,468
Electronic monitoring fees	125,566	113,846
Drug testing fees	230	320
Client supervision fees	53,757	36,539
Medical and health reimbursement	56,798	74,921
Local Contributions:		
Clarke	533,000	551,259
Frederick	5,191,910	5,394,459
Winchester	4,840,879	4,910,139
Fauquier	2,339,780	2,269,348
	\$ 21,636,935	\$ 21,536,243
% of Local Contributions:		
Clarke	4.13%	4.20%
Frederick	40.23%	41.10%
Winchester	37.51%	37.41%
Fauquier	18.13%	17.29%

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Schedule of Expenditures
Year Ended June 30, 2019
(With Comparative Totals for 2018)**

	<u>2019</u>	<u>2018</u>
Personnel	\$ 10,637,539	\$ 10,201,277
Fringes	4,999,696	4,624,888
Professional Health Services	1,284,088	795,982
Professional Services	51,255	46,194
Repair and Maintenance	153,559	113,711
Maintenance Service Contracts	52,835	51,918
Printing and Binding	3,503	2,707
Advertising	1,186	3,453
Contractual Services	32,175	28,135
Gasoline	193	184
Electrical Service	302,752	281,751
Heating Service	109,693	81,038
Water and Sewer	335,846	332,234
Postage and Telephone	45,074	46,947
Internet Access	23,907	23,224
Boiler Insurance	6,288	5,969
Fire Insurance	30,344	29,744
Motor Vehicle Insurance	6,693	6,694
Surety Bonds and Public Officials Liability	12,471	12,343
General Liability Insurance	10,018	10,011
Line of Duty Program	37,250	38,429
Office Supplies	55,928	63,626
Food Supplies and Food Services	921,949	913,378
Food Service - Small Equipment	6,596	31,104
Agricultural Supplies	3,375	1,216
Medical and Laboratory	409,399	395,523
Laundry, Housekeeping, and Janitorial	117,509	113,717
Linen Supplies	8,173	8,457
Repair and Maintenance Supplies	52,038	53,571
Vehicle and Powered Equipment Supplies	13,762	15,388
Police Supplies	41,692	50,380
Uniforms and Wearing Apparel	56,754	70,655
Books and Subscriptions	339	678
Other Operating Supplies	22,636	21,861
Travel	95,389	91,925
Dues and Memberships	3,419	2,101
Operating and Reserve Funding	(32,212)	(2,361)
Payment of Unemployment Claims	3,492	3,572
Machinery and Equipment	257,909	52,668
Building Improvements	633,525	102,120
Lease/Rent of Equipment	32,158	28,217
Debt Service Payments		
Principal	1,012,500	982,500
Interest and Bond Issuance Cost	562,448	605,956
Total expenditures	<u>\$ 22,415,143</u>	<u>\$ 20,343,085</u>

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

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

Per Diem Rates		
Fiscal Year Ended June 30,	Non- Participating Jurisdictions (Local)	Non- Participating Jurisdictions (Federal)
2019	\$ 79.32	\$ 55.00
2018	79.32	55.00
2017	79.32	55.00
2016	79.32	79.32
2015	79.32	79.32

Per Diem Revenues						Non- Participating Jurisdictions, Including Federal
Fiscal Year Ended June 30,	Clarke County	Fauquier County	Frederick County	City of Winchester	Participating Jurisdictions Per Diem Total	Total
2019	\$ 533,000	\$ 2,339,780	\$ 5,191,910	\$ 4,840,879	\$ 12,905,569	\$ 1,998
2018	551,259	2,269,348	5,394,459	4,910,139	13,125,205	885
2017	489,071	2,069,337	5,299,912	4,429,906	12,288,226	1,752
2016	520,768	1,819,790	5,103,298	4,154,548	11,598,404	1,258
2015	566,954	1,662,775	4,830,537	3,821,772	10,882,038	2,300

NORTHWESTERN REGIONAL JAIL AUTHORITY

Demographic Information of the Service Area

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

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

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

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Authority Inmate Population Statistics
Last Five Fiscal Years**

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

Prisoner Man-Days

Fiscal Year Ended June 30,	From Clarke County	From Fauquier County	From Frederick County	From City of Winchester	Non-Participating Jurisdictions (other than Federal)	Federal	Total
2019	8,506	36,330	94,933	80,562	3,194	37	223,562
2018	7,092	39,992	91,323	79,654	2,643	21	220,725
2017	8,539	43,038	93,350	86,602	3,821	32	235,382
2016	10,180	43,529	93,129	96,183	3,813	7	246,841
2015	10,420	41,451	97,631	82,132	1,037	43	232,714

Average Daily Population (ADP)

Fiscal Year Ended June 30,	From Clarke County	From Fauquier County	From Frederick County	From City of Winchester	Non-Participating Jurisdictions (other than Federal)	Federal	Total
2019	23.0	100.0	260.0	221.0	9.0	0.11	613.11
2018	20.0	110.0	250.0	218.0	7.0	0.06	605.06
2017	23.0	118.0	256.0	237.0	11.0	0.09	645.09
2016	28.0	119.0	255.0	264.0	10.0	0.2	676.2
2015	29.0	114.0	268.0	225.0	3.0	0.2	639.2
2014	21.7	89.3	243.0	208.3	3.8	0.1	566.2

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Participating Jurisdictions - Other Jail Facilities
Last Five Fiscal Years**

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

Fauquier County Adult Detention Center		
Fiscal Year Ended June 30,	Rated Prisoner Capacity	Average Daily Inmate Population
2019	56	77
2018	56	86
2017	56	82
2016	56	84
2015	59	104

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Debt Service Coverage
Last Ten Fiscal Years**

Fiscal Year	Gross Revenue	Operating Expenses	Net revenues available for debt service	Debt Service		Coverage
				Principal	Interest	
2019	21,636,935	20,840,195	796,740	1,012,500	562,448	50.59%
2018	21,536,243	19,316,275	2,219,968	982,500	605,956	139.76%
2017	20,831,622	19,267,391	1,564,231	890,000	654,041	101.31%
2016	20,279,989	18,575,950	1,704,039	725,000	633,670	125.42%
2015	18,972,121	17,636,536	1,335,585	700,000	571,975	105.00%
2014	18,059,482	17,699,276	360,206	507,500	592,466	32.75%
2013	16,889,229	17,344,080	(454,851)	467,500	984,898	-31.32%
2012	16,277,925	15,852,886	425,039	440,000	751,847	35.66%
2011	15,977,516	15,648,949	328,567	405,000	857,469	26.03%
2010	16,532,169	15,936,732	595,437	395,000	743,144	52.32%

- COMPLIANCE SECTION -



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Northwestern Regional Jail Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Northwestern Regional Jail Authority's basic financial statements and have issued our report thereon dated January 22, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farned, Cox Associates

Charlottesville, Virginia
January 22, 2020