MEHERRIN RIVER REGIONAL JAIL AUTHORITY

ALBERTA, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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CRYSTAL WILLETT
SUPERINTENDENT

BRENT WRIGHT
DEPUTY SUPERINTENDENT

JENNIFER DERRENBACKER, CPA
FINANCE DIRECTOR

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
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MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Serving the following Localities:
Brunswick County
Dinwiddie County
Mecklenburg County

Crystal L. Willett
Superintendent

9000 Boydton Plank Road
Alberta, VA 23821
(434) 949-6700
(434) 949-0180 Fax

October 12, 2018

The Honorable Members of the
Meherrin River Regional Jail Authority Board
Alberta, VA 23821

Dear Authority Board Members:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Meherrin River Regional Jail Authority (Jail Authority) for the fiscal years ended June 30, 2018 and 2017. The report was prepared by the Superintendent and the Finance Director, who assume full responsibility for the accuracy, completeness, and fairness of information. We believe the financial information, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations as measured by the financial activity of the Jail Authority's Enterprise Funds. This letter should be read in conjunction with the *Management's Discussion and Analysis*, which can be found in the Financial Section of the report.

PROFILE OF THE ORGANIZATION

The Jail Authority, a political subdivision of the Commonwealth of Virginia, was authorized by Chapter 726 of the 1990 Acts of the General Assembly of Virginia. The participating jurisdictions of the Authority are the Counties of Brunswick, Dinwiddie and Mecklenburg. The Authority is governed by a nine-member board comprised of three members from each locality.

The general purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions. The main facility has 697-beds, consisting of 596 general-purpose beds, a 32-bed work release center, a 6-bed medical housing unit, a 12-bed center for inmate intake, a 12-bed center for transport inmates, a 5-bed center for inmate classification, and 34 special management cells. The satellite facility has 115-beds, consisting of 76 general-purpose beds, a 24-bed work release center, a 4-bed medical housing unit, a 7-bed center for inmate intake, and 4 special management cells.

The legislation that created the Jail Authority requires there be a service agreement between the Jail Authority and its participating jurisdictions. The service agreement is a long-term contract regulating usage of the Jail Authority and establishing payment terms applicable to participating jurisdictions. It guarantees that the facility will be used and provides a basis for the issuance of revenue bonds to fund the final design and construction of the Jail. The board members of the Jail Authority signed the Service Agreement on April 3, 2008. The service agreement was amended on July 1, 2010.

ECONOMIC CONDITIONS

Serving the member jurisdictions as Meherrin River Regional Jail Authority does, the overall inmate population is indirectly related to the populations of these localities: Brunswick County, Dinwiddie County and Mecklenburg County. This, in turn, serves as an indicator for the number of persons likely to be incarcerated from those jurisdictions.

Brunswick County’s population growth rate is projected to decrease by -1.39% with a total population of 17,191 estimated for 2020. This percentage is skewed due to a prison closing during the study period and is not reflective of the actual population. Brunswick County is in fact expected to have an increase in population due to increased development in the county. Dinwiddie County’s population growth rate is expected to be approximately 5.50%, with a total population of 29,542 estimated for 2020. Mecklenburg County’s population growth rate is expected to be approximately 0.46%, with a total population of 32,877 estimated for 2020.

The inmate population for the past year was 417. The inmate population is budgeted to be 410 in fiscal year 2019.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

Over the past year, many accomplishments were realized within Meherrin River Regional Jail Authority. The Jail received the “Certificate of Achievement for Excellence in Financial Reporting” for the fifth year. The Jail received the “Distinguished Budget Presentation Award” for the third time for its fiscal year 2018 budget document.

We continue to provide a safe, secure and sanitary facility for staff and offenders while maintaining cost savings measures in our operation. Work Force crews were utilized throughout the year to pick up litter within our three jurisdictions, help maintain the grounds of both sites as well as the gun range and to assist on special projects upon request.

In our efforts to maintain costs, we focused on contracts and areas within our facility that we contract to outside providers. To allow for, not only a projected savings of $200,000 over a fiscal year, but also to see operational improvements, kitchen operations were brought in-house. In addition, the comprehensive medical services contract was renegotiated to recognize savings in annual budgeted costs and to secure 24/7 RN coverage at our Alberta facility.

Over this past fiscal year, we held our first GED graduation ceremony. Three of our offenders passed the GED program and received their GED certificates. In addition, we partnered with Virginia Cares to address the successful reentry and de-institutionalization of felons in the Commonwealth of Virginia. A representative with Virginia Cares comes on-site with our offenders who are scheduled to be released and provides them with an assessment and information they will need when returning to the community.

Moving forward, the Jail plans to establish a Committee of Community Partners to address the concerns surrounding the Central State offenders we receive at our facility. We also plan to expand our partnership with our commissary provider to put vending machines in all units and link directly to an offender’s account. Currently this can only be accomplished by utilizing one type of banking software, but our hopes are to work with several vendors to develop an interface to accomplish this goal.

MAJOR ACCOMPLISHMENTS AND INITIATIVES: (CONTINUED)

The staff of Meherrin River Regional Jail Authority works hard each year to give back to the communities. Over the course of the past year the charitable and community based outreach activities have helped make the facility shine amongst the citizens of our user jurisdictions. In addition to participating in such events as Mecklenburg County Sheriff's Office Cops and Kids program and donating items to families in need during the holidays, we participated in our first annual Thanksgiving Food Drive. Staff contributed large quantities of non-perishable food for our three member localities.

FINANCIAL INFORMATION AND CONTROLS

The Jail Authority is required to undergo an annual 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 *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The Jail Authority's management is responsible for establishing and maintaining internal controls sufficient to ensure safeguarding of jail assets. In developing and evaluating the Jail's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of an internal control structure should not exceed the benefits likely to be derived, and therefore, management must continuously evaluate the benefits of various controls given the related costs of implementation.

All internal control evaluations occur within the above framework. We believe that the Jail Authority's internal controls adequately safeguard assets and provide reasonable assurance for proper recording of financial transactions.

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

The Jail Authority usually initiates its annual operating budget preparations in August of each fiscal year (July 1 through June 30). The Finance Director, with input from other departments, prepares a draft budget for the Finance Committee to review. After the Finance Committee's review and approval, a final budget is submitted to the Jail Authority on or before January 1st of each year. According to the service agreement, the budget must be adopted by the Board no later than June 30th of each year.

RELEVANT FINANCIAL POLICIES

The Capital Reserve Fund decreased to $592,881 for the year ended June 30, 2018. The Capital Reserve Fund was established to be used in future years to replace capital assets such as vehicles, significant building improvements, etc. thus preventing an increase in the Jail Authority's operating budget.

RELEVANT FINANCIAL POLICIES: (CONTINUED)

The Rate Stabilization Fund totaling $107,074 remains unchanged for the year ended June 30, 2018. The Rate Stabilization Fund was created to prevent large increases in the per diem rate during years when there are significant budget shortfalls.

The Operating Reserve Fund was increased to $2,403,822 as required by the Jail Authority's service agreement. The service agreement requires that an Operating Reserve Fund be equal to not less than 60 days of the Jail Authority's projected annual budget for each year less debt service or such other amount as is required by the provisions of such obligations.

During FY 2018, the Authority Board has determined that it would be prudent and beneficial to the financial management of the Authority and its Member Jurisdictions to establish an additional reserve fund in excess of the legally required reserves. This Supplemental Reserve Fund will be held by the Authority and the Supplemental Reserve Fund Requirement will be equal to 17% of the Authority's projected operating budget for each year, less debt service. The balance in the Supplemental Reserve Fund for the year ended June 30, 2018 is $2,451,898.

INDEPENDENT AUDIT

The certified public accounting firm of Robinson, Farmer, Cox Associates has audited the June 30, 2018 and June 30, 2017 financial statements. Their opinion on the financial statements is presented in the financial section of this report.

ACKNOWLEDGMENTS

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

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

Respectfully submitted,

Crystal J. Willett

Crystal Willett
Superintendent

Jennifer Derrenbacker

Jennifer Derrenbacker, CPA
Finance Director

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
Year Ended June 30, 2018

Officers

Chairman	Sheriff Brian K. Roberts Brunswick County Sheriff
Vice-Chairman	W. Kevin Massengill Dinwiddie County Administrator
Secretary	H. Wayne Carter, III Mecklenburg County Administrator

Other Members

Dr. Charlette T. Woolridge, Brunswick County Administrator

Bernard L. Jones, Brunswick County Board of Supervisors

Sheriff “Duck” Adams, Dinwiddie County Sheriff

William D. Chavis, Dinwiddie County Board of Supervisors

Sheriff R. W. “Bobby” Hawkins, Mecklenburg County Sheriff

Evans D. Tanner, Mecklenburg County Board of Supervisors

Counsel

William H. Hefty, Esq.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Meherrin River Regional Jail
Virginia

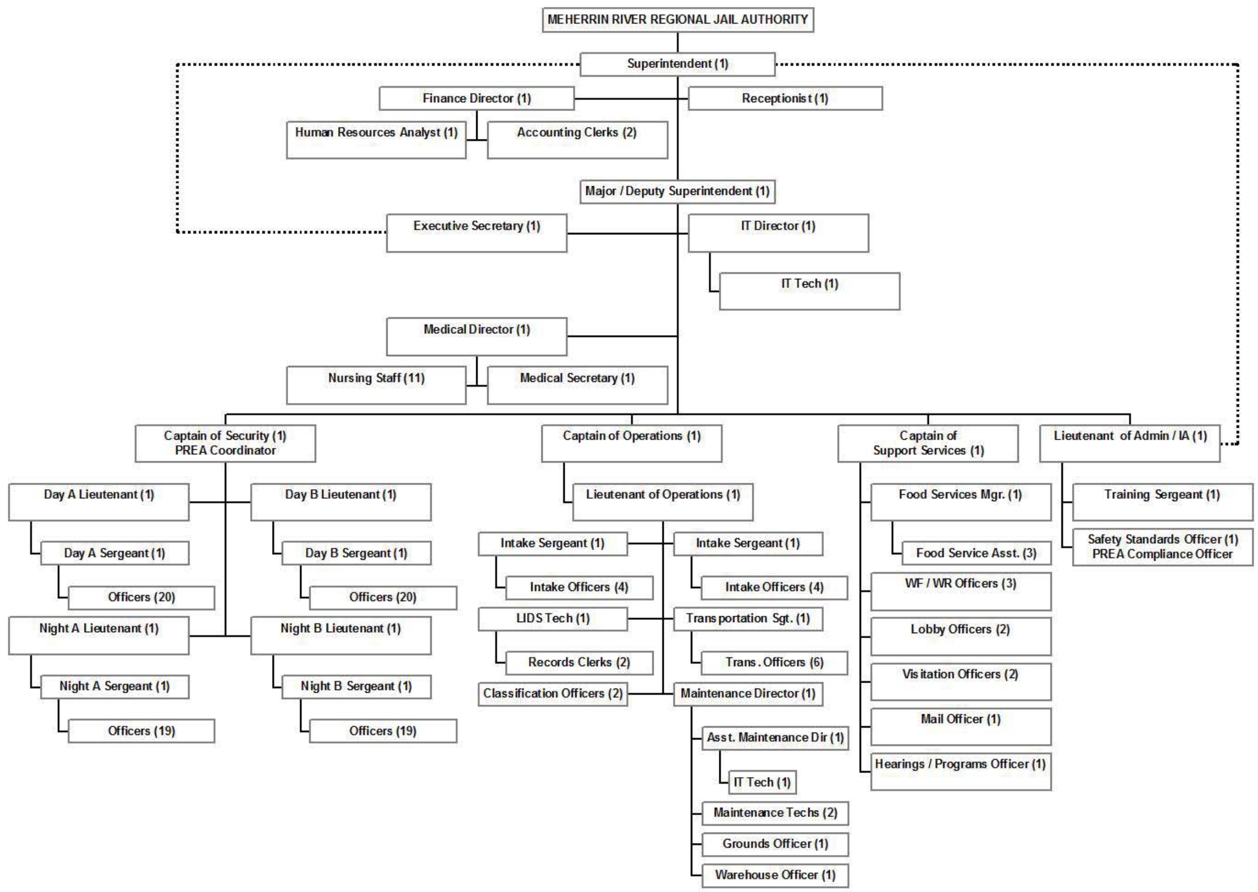
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

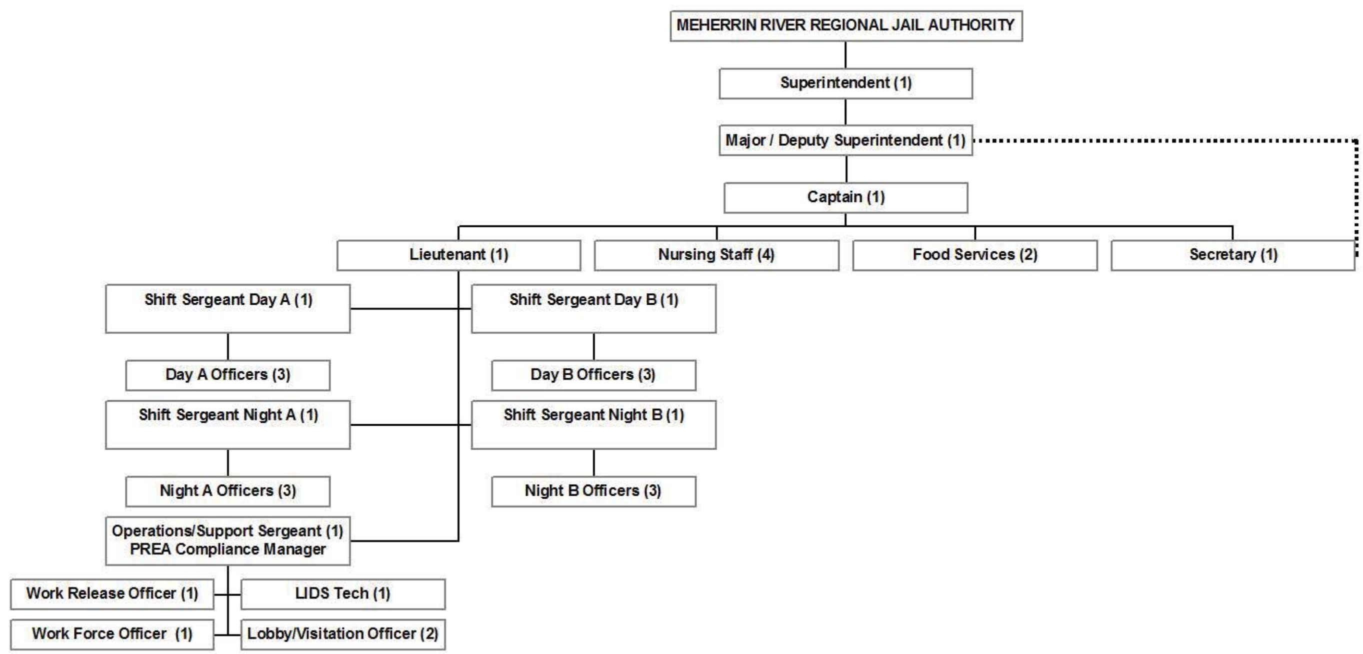
Executive Director/CEO

Meherrin River Regional Jail – Alberta
Organizational Structure



Meherrin River Regional Jail - Mecklenburg

Organizational Structure



Independent Auditors' Report

To the Members of
Meherrin River Regional Jail Authority
Alberta, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Meherrin River Regional Jail Authority, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Meherrin River Regional Jail 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 Meherrin River Regional Jail Authority, as of June 30, 2018 and 2017, and the changes in financial position and cash flows thereof for the years 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 2018, the Authority adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 14 to the financial statements, in 2018, the Authority restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Comparative Information

As described in Note 14 to the financial statements, GASB Statement No. 75 was implemented prospectively resulting in a restatement of beginning net position. In the year of implementation, comparative information for the net OPEB liability and related information as computed under GASB 75 standards was unavailable. Therefore, the 2017 amounts related to other postemployment benefits have not been restated to reflect the requirements of GASB Statement No. 75. 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 on pages 4-9 and schedules related to pension and OPEB funding on pages 81-92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Meherrin River Regional Jail Authority's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have 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 any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, on our consideration of Meherrin River 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 Meherrin River 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 Meherrin River Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 12, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements of Meherrin River Regional Jail Authority include all business activities and include notes to the financial statements that explain and provide detailed data on information in the financial statements.

The following is management's discussion and analysis of the Jail Authority's financial performance for the years ended June 30, 2018 and 2017. It should be read in conjunction with the letter of transmittal in the Introductory Section, the Jail Authority's financial statements and supplemental information included in the Financial Section and financial performance in the Statistical Section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2018:

- The Jail Authority's net position increased $1,689,575 (excluding restatement of net position) in FY 2018.
- Total revenues, including capital contributions, of the Jail for FY 2018 were $17,114,696.
- Total expenses of the Jail for FY 2018 were $15,425,121.

Fiscal Year 2017:

- The Jail Authority's net position increased $841,005 in FY 2017.
- Total revenues, including capital contributions, of the Jail for FY 2017 were $16,270,802.
- Total expenses of the Jail for FY 2017 were $15,429,797.

Fiscal Year 2016:

- The Jail Authority's net position increased $905,525 in FY 2016.
- Total revenues, including capital contributions, of the Jail for FY 2016 were $16,420,664.
- Total expenses of the Jail for FY 2016 were $15,515,139.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Jail's basic financial statements. The Jail Authority's basic financial statements consist of the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. The first two statements report the Jail Authority's net position and how it has changed. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Jail Authority's financial condition.

The following table summarizes the net position of the Jail at June 30, 2018, 2017 and 2016:

Statements of Net Position
At June 30, 2018, 2017, and 2016

NET POSITION	2018	2017	2016
Current and other assets	$ 16,515,558	$ 14,447,022	$ 12,942,156
Capital assets, net	59,151,773	60,534,102	61,882,508
Total assets	$ 75,667,331	$ 74,981,124	$ 74,824,664
Deferred outflows of resources	$ 3,369,293	$ 3,655,401	$ 629,338
Long-term liabilities, net	$ 41,085,042	$ 41,710,392	$ 39,826,869
Other liabilities	3,752,687	4,303,646	4,037,422
Total liabilities	$ 44,837,729	$ 46,014,038	$ 43,864,291
Deferred inflows of resources	$ 776,756	$ 228,854	$ 37,083
Net position:			
Net investment in capital assets	$ 26,177,891	$ 26,539,956	$ 27,068,830
Unrestricted	7,244,248	5,853,677	4,483,798
Total net position	$ 33,422,139	$ 32,393,633	$ 31,552,628

Overall net position increased 3.18% in 2018, with unrestricted net position increasing 23.76% for 2018.

Overall net position increased 2.67% in 2017, with unrestricted net position increasing 30.55% for 2017.

The increase in unrestricted net position in FY 2018 is primarily attributable to vacancy savings from Compensation Board funded positions. This increase was offset by a $661,069 restatement of net position related to implementation of GASB 75. This implementation also resulted in the reporting of deferred outflows of resources and deferred inflows of resources related to other postemployment benefits (OPEB).

The increase in unrestricted net position in FY 2017 is primarily attributable to vacancy savings from Compensation Board funded positions.

The increase in unrestricted net position in FY 2016 is primarily attributable to vacancy savings from Compensation Board funded positions.

REVENUES

Operating and nonoperating revenues and capital contributions for the Jail Authority totaled $17,114,696 for the year ended June 30, 2018, which equates to an $843,894 increase from fiscal year 2017. This amount is primarily attributable to an increase in inmate average daily population. Of this total, per-diem billings to member jurisdictions totaled $6,300,443 or 43.27 percent of total operating revenues. Per-diem billings to non-member jurisdictions totaled $283,536 and accounted for 1.95 percent of total operating revenues. The revenues received from the state totaled $7,339,444 or 50.40 percent of total operating revenues. Inmate and other revenues totaled $637,844 or 4.38 percent of total operating revenues.

A summary of revenues for the years ended June 30, 2018, 2017 and 2016 is presented in the following computation:

REVENUE SOURCE	**2018**	**2017**	**2016**
Operating Revenue:			
Member Jurisdictions			
Brunswick County	$ 2,168,894	$ 1,960,483	$ 1,669,520
Dinwiddie County	1,496,184	1,252,815	1,193,185
Mecklenburg County	2,635,365	2,397,907	2,510,217
Subtotal	$ 6,300,443	$ 5,611,205	$ 5,372,922
State Share of Jail Operations			
Compensation Board	$ 7,339,444	$ 7,205,199	$ 7,325,919
Subtotal	$ 7,339,444	$ 7,205,199	$ 7,325,919
Charges for Services			
Work Release	$ 50,479	$ 39,255	$ 66,970
Weekender Fees	12,151	12,820	16,540
Home Incarceration	6,463	6,940	7,115
Medical Co-Pays	10,866	13,813	14,127
Medical Reimbursement	47,875	53,309	44,329
Daily Fees	111,688	120,087	148,548
Inmate Phones	270,000	270,000	275,233
Internet Visitation	9,144	9,705	10,809
Bed Rentals	283,536	246,350	259,341
Dining Operations	51,994	-	-
Miscellaneous Revenue	67,184	20,936	11,117
Subtotal	$ 921,380	$ 793,215	$ 854,129
Total Operating Revenue	$ 14,561,267	$ 13,609,619	$ 13,552,970
Nonoperating Revenue:			
Local Share of Debt Service	$ 2,550,339	$ 2,690,341	$ 2,687,138
Grant Income	-	-	30,310
Interest and investment earnings (losses)	3,090	(29,158)	150,246
Total Nonoperating Revenue	$ 2,553,429	$ 2,661,183	$ 2,867,694
Total Revenue	$ 17,114,696	$ 16,270,802	$ 16,420,664

EXPENSES

Operating expenses totaled $13,942,602 for the year ended June 30, 2018. Of this amount, salaries and employee benefits totaled $7,578,677, medical services and supplies totaled $2,555,264, and food service and supplies totaled $737,368.

Operating expenses totaled $13,603,610 for the year ended June 30, 2017. Of this amount, salaries and employee benefits totaled $7,497,097, medical services and supplies totaled $2,422,549, and food service and supplies totaled $701,782.

Operating expenses totaled $13,833,902 for the year ended June 30, 2016. Of this amount, salaries and employee benefits totaled $7,668,252, medical services and supplies totaled $2,459,900, and food service and supplies totaled $702,751.

Summary data for the years ended June 30, 2018, 2017 and 2016 are presented in the following computation:

EXPENSE CLASSIFICATION

	2018	2017	2016
Operating Expenses:			
Salaries and Wages	$ 5,286,912	$ 5,120,551	$ 5,437,858
Fringe Benefits	2,291,765	2,376,546	2,230,394
Professional Services	80,453	56,202	65,803
Medical Services and Supplies	2,555,264	2,422,549	2,459,900
Materials and Supplies	875,873	847,201	749,097
Food Services and Supplies	737,368	701,782	702,751
Utilities	661,520	631,230	583,219
Depreciation	1,453,447	1,447,549	1,604,880
Total Operating Expenses	$ 13,942,602	$ 13,603,610	$ 13,833,902
Nonoperating Expenses:			
Interest Expense	$ 1,482,519	$ 1,543,526	$ 1,681,237
Bond Issuance Costs	-	282,661	-
Total Nonoperating Expense	$ 1,482,519	$ 1,826,187	$ 1,681,237
Total Expense	$ 15,425,121	$ 15,429,797	$ 15,515,139

SUMMARY OF OPERATIONS & CHANGE IN NET POSITION

Net Position increased by $1,028,506 for the year ended June 30, 2018. This amount includes $1,070,910 in nonoperating revenues and expenses.

Summary data is presented in the following computation:

		2018		2017		2016
Operating:						
Revenues	$	14,561,267	$	13,609,619	$	13,552,970
Expenses		13,942,602		13,603,610		13,833,902
Net operating income (loss)	$	618,665	$	6,009	$	(280,932)
Nonoperating:						
Revenues	$	2,553,429	$	2,661,183	$	2,867,694
Expenses		1,482,519		1,826,187		1,681,237
Net nonoperating income (loss)	$	1,070,910	$	834,996	$	1,186,457
Increase (decrease) in net position	$	1,689,575	$	841,005	$	905,525
Net position, beginning of year	$	32,393,633	$	31,552,628	$	30,647,103
Restatement		(661,069)		-		-
Net position, beginning of year, as restated	$	31,732,564	$	31,552,628	$	30,647,103
Net position, end of year	$	33,422,139	$	32,393,633	$	31,552,628

FINANCIAL ANALYSIS OF JAIL FUNDS

The financial statements are prepared on the accrual basis, recognizing revenue when earned and expenses when incurred, and include all of the business activities of the Jail Authority.

Jail operations ended fiscal year 2018 with a $1,028,506 increase in total net position, including the beginning balance restatement of $661,069. Jail operations ended fiscal year 2017 with an $841,005 increase in total net position. Net position increased $905,525 in fiscal year 2016.

The Operating Reserve Fund totals $2,403,822, which equates to 60 days of the Jail Authority's annual budget less debt service as required by the Jail Authority's service agreement. The Rate Stabilization Fund totals $107,074 at the end of FY 2018. The Capital Reserve Fund totaling $592,881 represents proceeds from VRA Bonds remaining after construction and is considered restricted cash and may only be used for capital assets or debt service. The Supplemental Reserve Fund totals $2,451,898, which equates to 17% of the Jail Authority's annual budget less debt service.

The Jail Authority's cash position remains strong with $9,911,469 in unrestricted funds.

DEBT ADMINISTRATION

The Jail Authority had total long-term debt outstanding of $41,199,804 on June 30, 2018. This amount is comprised of a Series 2010 VRA bond, which was issued to fund the acquisition, construction and equipping of the Jail and a Series 2016 VRA bond which is the result of an advance refunding of the Series 2010 VRA bond. For more detailed information on long-term debt activity refer to Note 6 of the notes to these financial statements.

CAPITAL ASSETS

Capital assets with a unit cost of $5,000 or more are capitalized and depreciated over their useful lives using the straight-line method. As of June 30, 2018, capital assets, accumulated depreciation and depreciation expense totaled $68,595,068, $9,443,294 and $1,453,447, respectively. For more detailed information on capital assets activity refer to Note 5 of the notes to these financial statements.

JAIL AUTHORITY'S PER DIEM RATES

The debt service component and the operating component of the per diem charge is invoiced quarterly by the Jail Authority in advance of service and is payable no later than the last day of the first month of each calendar quarter. The Member Jurisdictions agree to pay their ratable share of the per diem charge as budgeted by the Jail Authority in accordance with the percentages established annually, notwithstanding the actual number of inmates committed or expected to be committed to the system, subject to a fiscal year-end adjustment to reflect annual use of the system. The operational per diem rates were $43.47, $37.50, $36.80, $30.89, $29.95, and $34.61 for 2018, 2017, 2016, 2015, 2014, and 2013 respectively. The debt service per diem rates were $18.63, $17.98, $18.41, $16.56, $9.73, and $0 for 2018, 2017, 2016, 2015, 2014 and 2013 respectively. There was not a debt service component of the per diem charge in fiscal year 2013 because all interest was capitalized.

REQUEST FOR INFORMATION

This financial report is designed to provide interested parties with a general overview of the Jail Authority's finances. Should you have any questions about this report or need additional information, please contact the Finance Director, 9000 Boydton Plank Road, Alberta, VA 23821.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Statements of Net Position
June 30, 2018 and 2017

ASSETS	2018	2017
Current assets:		
Cash and cash equivalents	$ 9,911,469	$ 8,600,110
Held in escrow with trustee	882,117	875,553
Accounts receivable	187,940	161,322
Prepaid expense	132,569	115,144
Due from localities	137,725	-
Due from state	616,653	634,272
Cash held for employees - restricted	116	141
Cash held for inmates - restricted	357,713	323,718
Total current assets	$ 12,226,302	$ 10,710,260
Noncurrent assets:		
Restricted cash and cash equivalents	$ 592,881	$ 634,500
Investments	2,563,775	2,670,225
Net pension asset	1,116,066	432,037
Net OPEB asset	16,534	-
Capital assets:		
Land	1,061,626	1,061,626
Other capital assets, net of accumulated depreciation	58,090,147	59,472,476
Net capital assets	$ 59,151,773	$ 60,534,102
Total noncurrent assets	63,441,029	64,270,864
Total assets	$ 75,667,331	$ 74,981,124
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension	$ 579,064	$ 700,540
Deferred outflows of resources related to OPEB	34,763	-
Deferred charge on refunding	2,755,466	2,954,861
Total deferred outflows of resources	$ 3,369,293	$ 3,655,401
LIABILITIES		
Current liabilities:		
Accounts payable	$ 182,573	$ 389,650
Claims payable	101,270	89,135
Due to localities	906,224	1,327,885
Due to members	454,015	454,015
Accrued payroll	8,089	949
Compensated absences	56,791	51,321
Current portion of long-term debt	1,286,279	1,261,279
Interest payable	399,617	405,553
Cash held for employees	116	141
Cash held for inmates	357,713	323,718
Total current liabilities	$ 3,752,687	$ 4,303,646
Noncurrent liabilities:		
Bonds payable, net of current portion	$ 39,913,525	$ 41,199,804
Compensated absences, net of current portion	511,117	461,888
Net OPEB liabilities	660,400	-
Net OPEB obligation	-	48,700
Total noncurrent liabilities	$ 41,085,042	$ 41,710,392
Total liabilities	$ 44,837,729	$ 46,014,038
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension	$ 691,108	$ 228,854
Deferred inflows of resources related to OPEB	85,648	-
Total deferred inflows of resources	$ 776,756	$ 228,854
NET POSITION		
Net investment in capital assets	$ 26,177,891	$ 26,539,956
Unrestricted	7,244,248	5,853,677
Total net position	$ 33,422,139	$ 32,393,633

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	2018	2017
Operating revenues:		
Charges for services	$ 854,196	$ 772,279
Local share of jail operations	6,300,443	5,611,205
State share of jail operations	7,339,444	7,205,199
Miscellaneous	67,184	20,936
Total operating revenues	$ 14,561,267	$ 13,609,619
Operating expenses:		
Personnel	$ 5,286,912	$ 5,120,551
Fringes	2,291,765	2,376,546
Contractual	2,635,717	2,478,751
Other charges	2,274,761	2,180,213
Depreciation	1,453,447	1,447,549
Total operating expenses	$ 13,942,602	$ 13,603,610
Net operating income (loss)	$ 618,665	$ 6,009
Nonoperating revenues (expenses):		
Local share of debt service	$ 2,550,339	$ 2,690,341
Interest and investment earnings (losses)	3,090	(29,158)
Interest expense	(1,482,519)	(1,543,526)
Bond issuance costs	-	(282,661)
Net nonoperating revenues (expenses)	$ 1,070,910	$ 834,996
Change in net position	$ 1,689,575	$ 841,005
Net position, beginning of year	$ 32,393,633	$ 31,552,628
Restatement for GASB 75 Implementation	(661,069)	-
Net position, beginning of year, as restated	$ 31,732,564	$ 31,552,628
Net position, end of year	$ 33,422,139	$ 32,393,633

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Charges for services	$ 889,707	$ 825,475
Revenue from localities	5,741,057	5,611,205
Revenue from state	7,357,063	7,209,081
Payments to suppliers	(5,137,325)	(4,632,862)
Payments to employees	(7,612,568)	(7,166,588)
Net cash provided by (used for) operating activities	$ 1,237,934	$ 1,846,311
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Local share of debt service	$ 2,550,339	$ 2,690,341
Bond issuance costs	-	(282,661)
Proceeds from issuance of long-term debt	-	38,678,336
Payments to escrow agent	-	(38,522,004)
Principal paid on capital debt	(940,000)	(920,000)
Interest paid on capital debt	(1,610,339)	(1,639,325)
Purchase of capital assets	(71,118)	(99,143)
Debt service paid to escrow agent	(6,564)	(875,553)
Net cash provided by (used for) capital & related financing activities	$ (77,682)	$ (970,009)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and investment earnings	$ 109,488	$ 98,367
Net cash provided by (used for) investing activities	$ 109,488	$ 98,367
Net increase (decrease) in cash and cash equivalents	$ 1,269,740	$ 974,669
Cash and cash equivalents at beginning of year	9,234,610	8,259,941
Cash and cash equivalents at end of year	$ 10,504,350	$ 9,234,610

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Statements of Cash Flows
Years Ended June 30, 2018 and 2017 (Continued)

	2018	2017
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$ 618,665	$ 6,009
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	1,453,447	1,447,549
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(26,566)	348,173
Prepaid expense	(17,425)	(554)
Due from localities	(137,725)	-
Due from state	17,619	3,881
Net pension asset	(684,029)	(92,580)
Net OPEB asset	(5,624)	-
Deferred outflows - pension related	121,476	(71,202)
Deferred outflows - OPEB related	15,858	-
Increase (decrease) in:		
Accounts payable	(207,077)	26,657
Claims payable	12,135	3,684
Due to localities/members	(421,661)	-
Compensated absences	54,699	(19,834)
Accrued payroll	7,140	(43)
Net OPEB liabilities	(110,900)	-
Net OPEB obligation	-	2,800
Deferred inflows - pension related	462,254	191,771
Deferred inflows - OPEB related	85,648	-
Net cash provided by (used for) operating activities	$ 1,237,934	$ 1,846,311
Cost of vehicle donated to others	$ 28,459	$ -

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

NOTE 1 – BASIS OF PRESENTATION:

The Financial Reporting Entity

The Brunswick-Dinwiddie-Mecklenburg Regional Jail Authority was created pursuant to Article 3.1, Chapter 3, Title 53.1, Code of Virginia (1950), as amended by resolutions duly adopted by the governing bodies of the Counties of Brunswick, Dinwiddie, and Mecklenburg for the purpose of developing a new regional jail to be operated on behalf of the Member Jurisdictions by the Jail Authority. On June 24, 2008, the Jail Authority's name was changed to the Meherrin River Regional Jail Authority. The Board is governed by three members (including the County Administrator and Sheriff) from each of the participating localities and conforms to the statutory provisions of the Code of Virginia (1950), as amended. The Jail Authority is considered to be a Jointly Governed Organization of the above localities because each locality is equally represented on the Board. Construction of the main facility in Alberta, Virginia was completed in early July 2012 at which time the participating localities began sending inmates to the facility. In addition, construction of the satellite facility in Boydton, Virginia was completed in January 2013. The Jail Authority is responsible for operational and debt services costs. Operational costs are paid quarterly and a true-up is done at year end based on actual inmate populations for each locality. The Regional Jail bills each locality a per diem rate based upon the number of inmates sent to the facility. The per diem rates include components for both operating and debt service expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Basis of Accounting:

The Jail Authority uses 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 a liability is incurred, regardless of the timing of related cash flows.

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.

B. Cash and Cash Equivalents:

The Jail Authority's cash and cash equivalents consist of cash on hand and demand deposits.

For the purposes of the statement of cash flows, the Jail Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted cash represents proceeds from a VRA Bond that are remaining after construction. These proceeds may only be used for capital assets or debt service.

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

C. Investments:

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

D. Capital Assets:

Capital assets are recorded at cost. Donated capital assets are recorded at acquisition value at the date of gift. The Jail 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.

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

Buildings and improvements	50 years
Land/site improvements	20 years
Equipment, furniture and fixtures	5 to 20 years
Vehicles	5 years
Intangibles	5 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.

E. 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.

F. Bond Premium:

A premium of $4,908,336 resulted from the refunding of bonds issued in association with the financing of jail construction. The premium is being amortized using the effective interest method over the life of the bond issue of 25 years. Amortization for FY 2018 totaled $321,279. The balance of the unamortized bond premium at June 30, 2018 is $4,439,804.

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

G. 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.

H. Net Position Flow Assumption:

Sometimes the Jail 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Jail Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

I. Vacation, Sick, and Holiday Leave:

Jail Authority employees will earn vacation and sick leave in varying amounts on a semi-monthly basis, based upon length of service. Annual carryover limitations apply to vacation hours but not to sick leave. Employees are compensated for unused vacation and sick leave upon separation, retirement or death based upon years of service and are limited to a maximum dollar amount. Holidays earned by an employee, classified as essential personnel, will be those days specified by the Meherrin River Regional Jail Authority to be taken. All non-essential personnel, as designated by the Superintendent, will take the thirteen scheduled holidays granted per year unless ordered otherwise.

J. Budget:

The Superintendent must submit a balanced budget to the Jail Authority on or before January 1st each year. The budget denotes per diem rates charged to member jurisdictions, and line item revenues and expenses. The Jail Authority must adopt a final budget on or before June 30th each year.

K. Deferred Outflows/Inflows of Resources:

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

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

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

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

L. Pensions:

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Jail Authority's Retirement Plan and the additions to/deductions from the Jail 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.

M. Other Postemployment Benefits (OPEB)

Health Insurance Credit Program

The Jail Authority Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision HIC Program, and the additions to/deductions from the VRS Political Subdivision HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The 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. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's 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:

Deposits:

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

Investments:

Statutes authorize the Jail Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Investments:

The Jail Authority does not have a policy related to the credit risk of investments.

Credit Risk of Debt Securities:

The Jail Authority's rated debt investments as of June 30, 2018 and June 30, 2017 were rated by Moody's and the ratings are presented below using Moody's rating scale.

Fiscal Year 2018

Rated Debt Investments Value		Fair Quality Ratings
		AAA/AAAm
U. S. Treasury Bonds and Notes	$	2,563,775
State Non-Arbitrage Pool		1,160,182
Total	$	3,723,957

Fiscal Year 2017

Rated Debt Investments Value		Fair Quality Ratings
		AAA/AAAm
U. S. Treasury Bonds and Notes	$	2,670,225
State Non-Arbitrage Pool		1,093,375
Total	$	3,763,600

NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk:

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

Fiscal Year 2018
Investment Maturities (in years)

	Value	1-5 Years	Less than 1 Year
U. S. Treasury Securities	$ 2,563,775	$ 2,563,775	$ -
State Non-Arbitrage Pool	1,160,182	-	1,160,182
Total	$ 3,723,957	$ 2,563,775	$ 1,160,182

Fiscal Year 2017
Investment Maturities (in years)

	Value	1-5 Years	Less than 1 Year
U. S. Treasury Securities	$ 2,670,225	$ 2,670,225	$ -
State Non-Arbitrage Pool	1,093,375	-	1,093,375
Total	$ 3,763,600	$ 2,670,225	$ 1,093,375

External Investment Pool:

The value of the positions in the external investment pool (State Non-Arbitrage Pool (SNAP)) is the same as the values of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio under provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 4 – FAIR VALUE MEASUREMENTS:

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

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date

NOTE 4 – FAIR VALUE MEASUREMENTS: (CONTINUED)

- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

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

Change in Fair Value of Investments:

	Fair value at 6/30/18	$	2,563,775
Add:	Proceeds for investments sold		-
Less:	Cost of Investments purchased		-
Less:	Fair value at 6/30/17	$	2,670,225
	Change in fair value of investments	$	(106,450)
	Fair value at 6/30/17	$	2,670,225
Add:	Proceeds for investments sold		-
Less:	Cost of Investments purchased		-
Less:	Fair value at 6/30/16	$	2,797,750
	Change in fair value of investments	$	(127,525)

The Jail Authority has the following recurring fair value measurements as of June 30, 2018 and June 30, 2017:

		Fair Value Measurement Using		
Investment	**6/30/2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
U. S. Treasury Securities	$ 2,563,775	$ 2,563,775	$ -	$ -

		Fair Value Measurement Using		
Investment	**6/30/2017**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
U. S. Treasury Securities	$ 2,670,225	$ 2,670,225	$ -	$ -

NOTE 5 – CAPITAL ASSETS:

The following is a summary of changes in capital assets for the years ended June 30, 2018 and 2017:

June 30, 2018:	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 1,061,626	$ -	$ -	$ 1,061,626
Total capital assets not being depreciated	$ 1,061,626	$ -	$ -	$ 1,061,626
Capital assets being depreciated:				
Land/site improvements - fencing	$ 20,504	$ -	$ -	$ 20,504
Buildings and improvements	65,203,786	-	-	65,203,786
Equipment, furniture, fixtures	1,252,287	41,619	-	1,293,906
Vehicles	652,042	29,499	28,549	652,992
Intangibles	362,253	-	-	362,253
Total capital assets being depreciated	$ 67,490,873	$ 71,118	$ 28,549	$ 67,533,442
Less: Accumulated depreciation				
Land/site improvements - fencing	$ 6,151	$ 1,025	$ -	$ 7,176
Buildings and improvements	6,520,921	1,308,536	-	7,829,457
Equipment, furniture, fixtures	570,066	103,994	-	674,060
Vehicles	569,407	29,492	28,549	570,350
Intangibles	351,853	10,400	-	362,253
Total accumulated depreciation	$ 8,018,396	$ 1,453,447	$ 28,549	$ 9,443,294
Net capital assets being depreciated	$ 59,472,476	$ (1,382,329)	$ -	$ 58,090,147
Total capital assets	$ 60,534,102	$ (1,382,329)	$ -	$ 59,151,773

NOTE 5 – CAPITAL ASSETS: (CONTINUED)

June 30, 2017:	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated:				
Land	$ 1,061,626	$ -	$ -	$ 1,061,626
Total capital assets not being depreciated	$ 1,061,626	$ -	$ -	$ 1,061,626
Capital assets being depreciated:				
Land/site improvements - fencing	$ 20,504	$ -	$ -	$ 20,504
Buildings and improvements	65,203,786	-	-	65,203,786
Equipment, furniture, fixtures	1,212,431	39,856	-	1,252,287
Vehicles	592,755	59,287	-	652,042
Intangibles	362,253	-	-	362,253
Total capital assets being depreciated	$ 67,391,730	$ 99,143	$ -	$ 67,490,873
Less: Accumulated depreciation				
Land/site improvements - fencing	$ 5,125	$ 1,025	$ -	$ 6,151
Buildings and improvements	5,212,385	1,308,535	-	6,520,921
Equipment, furniture, fixtures	470,974	99,092	-	570,066
Vehicles	544,137	25,270	-	569,407
Intangibles	338,227	13,626	-	351,853
Total accumulated depreciation	$ 6,570,847	$ 1,447,549	$ -	$ 8,018,396
Net capital assets being depreciated	$ 60,820,882	$ (1,348,406)	$ -	$ 59,472,476
Total capital assets	$ 61,882,508	$ (1,348,406)	$ -	$ 60,534,102

Reconciliation of Net Investment in Capital Assets:

Net Capital Assets	$ 59,151,773
Outstanding Bonds	(41,199,804)
Deferred Charge on Refunding	2,755,466
Unspent Proceeds	3,336,658
Proceeds Spent on Operations	2,133,798
Net Investment in Capital Assets	$ 26,177,891

NOTE 6 – LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligations for the years ended June 30, 2018 and 2017:

June 30, 2018:	Balance June 30, 2017	Restatement	Restated Balance June 30, 2017	Issuances	Reductions	Balance June 30, 2018	Due Within One Year
Bonds payable:							
Revenue Bonds	$ 37,700,000	$ -	$ 37,700,000	$ -	$ 940,000	$ 36,760,000	$ 965,000
Add:							
Unamortized Bond Premium	4,761,083	-	4,761,083	-	321,279	4,439,804	321,279
Total Bonds payable	$ 42,461,083	$ -	$ 42,461,083	$ -	$ 1,261,279	$ 41,199,804	$ 1,286,279
Compensated absences	513,209	-	513,209	582,249	527,550	567,908	56,791
Net OPEB obligation	48,700	(48,700)	-	-	-	-	-
Net OPEB liabilities	-	771,300	771,300	11,800	122,700	660,400	-
Total Long-Term Obligations	$ 43,022,992	$ 722,600	$ 43,745,592	$ 594,049	$ 1,911,529	$ 42,428,112	$ 1,343,070

June 30, 2017:	Balance June 30, 2016	Restatement	Restated Balance June 30, 2016	Issuances	Reductions	Balance June 30, 2017	Due Within One Year
Bonds payable:							
Revenue Bonds	$ 38,640,000	$ -	$ 38,640,000	$ 33,770,000	$ 34,710,000	$ 37,700,000	$ 940,000
Add:							
Unamortized Bond Premium	1,685,753	-	1,685,753	4,908,336	1,833,006	4,761,083	321,279
Total Bonds payable	$ 40,325,753	$ -	$ 40,325,753	$ 38,678,336	$ 36,543,006	$ 42,461,083	$ 1,261,279
Compensated absences	533,043	-	533,043	456,905	476,739	513,209	51,321
Net OPEB obligation	45,900	-	45,900	18,500	15,700	48,700	-
Total Long-Term Obligations	$ 40,904,696	$ -	$ 40,904,696	$ 39,153,741	$ 37,035,445	$ 43,022,992	$ 1,312,600

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

Year Ending June 30,	Revenue Bonds Principal	Revenue Bonds Interest
2019	$ 965,000	$ 1,584,715
2020	995,000	1,555,043
2021	1,030,000	1,522,643
2022	1,025,000	1,479,897
2023	1,080,000	1,425,956
2024-2028	6,300,000	6,217,019
2029-2033	8,135,000	4,385,453
2034-2038	10,140,000	2,373,394
2039-2041	7,090,000	413,681
Total	$ 36,760,000	$ 20,957,801

NOTE 6 – LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations are as follows:

		Total
Bonds Payable:		
$40,415,000 VRA bonds for jail construction, Series 2010 issued August 18, 2010 and partially refunded in 2016, interest at rates ranging from 2.2525% to 3.2%, maturing in various quarterly installments ranging from $8,240 to $523,240 through October 1, 2020.	$	2,990,000
$33,770,000 VRA refunding bonds, Series 2016 issued November 16, 2016, interest at rates ranging from 3.375% to 5.125%, maturing in various quarterly installments ranging from $23,798 to $1,251,298 through October 10, 2040.	$	33,770,000
Add: Unamortized bond premium		4,439,804
Total bonds payable	$	41,199,804
Compensated Absences	$	567,908
Net OPEB liabilities	$	660,400
Total long-term obligations	$	42,428,112

Advance Refunding

The Jail Authority issued a $33,770,000 revenue bond with interest rates ranging from 3.88% to 5.125%. The proceeds were used to advance refund $33,790,000 of an outstanding VRA Series 2010B, revenue bond which had interest rates ranging from 2.25% to 5.20%. The net proceeds of $38,816,034 (including a $4,908,336 premium, $137,699 Debt Service Reserve Fund release, and after payment of $294,031 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded portion of the bond. As a result, this portion of the VRA Series 2010B revenue bond is considered defeased and the liability for those bonds has been removed from the statement of net position. The VRA Series 2010B remaining unrefunded portion of $2,990,000 is being paid until the callable maturity date in 2020.

The reacquisition price exceeded the net carrying amount of the old debt by $3,046,250. This amount is reported as the deferred charge on refunding and amortized over the remaining life of the refunding debt. The jail advance refunded the VRA Series 2010B revenue bond to reduce its total debt service payments over 25 years by $4,364,753 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $2,901,052.

NOTE 7 – CONTRIBUTIONS FROM OTHERS:

The member localities of Brunswick County, Dinwiddie County, and Mecklenburg County contributed $2,493,477 for the construction of the Mecklenburg satellite facility. The remaining balance of $454,015 is shown as Due to Members on the Statement of Net Position.

The member localities of Brunswick County, Dinwiddie County, and Mecklenburg County contributed $2,550,339 for debt service during FY 2018.

		Amount
Member Contributions Boydton	$	-
Local Share of Debt Service		2,550,339
Total	$	2,550,339

NOTE 8 – PENSION PLAN:

Plan Description

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

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. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

NOTE 8 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

NOTE 8 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is 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. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTE 8 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members (Cont.)** Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 8 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **<u>Defined Benefit Component:</u>** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **<u>Defined Contribution Component:</u>** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are	**Vesting** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component:</u>** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the

NOTE 8 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.) eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting (Cont.)**	**Vesting (Cont.)** **<u>Defined Benefit Component: (Cont.)</u>** Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **<u>Defined Contribution Component:</u>** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

NOTE 8 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Vesting (Cont.)</td><td>Vesting (Cont.)</td><td>Vesting (Cont.)
<u>Defined Contribution Component:</u> (Cont.)
• After three years, a member is 75% vested and may withdraw 75% of employer contributions.
• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.</td></tr>
<tr><td>Calculating the Benefit
The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</td><td>Calculating the Benefit
See definition under Plan 1.</td><td>Calculating the Benefit
<u>Defined Benefit Component:</u>
See definition under Plan 1

<u>Defined Contribution Component:</u>
The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</td></tr>
<tr><td>Average Final Compensation
A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</td><td>Average Final Compensation
A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</td><td>Average Final Compensation
Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</td></tr>
</table>

NOTE 8 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr>
<td>Service Retirement Multiplier
VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</td>
<td>Service Retirement Multiplier
VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.</td>
<td>Service Retirement Multiplier
<u>Defined Benefit Component:</u>
VRS: The retirement multiplier for the defined benefit component 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.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

<u>Defined Contribution Component</u>:
Not applicable.</td>
</tr>
<tr>
<td>Normal Retirement Age
VRS: Age 65.

Political subdivisions hazardous duty employees: Age 60.</td>
<td>Normal Retirement Age
VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees: Same as Plan 1.</td>
<td>Normal Retirement Age
<u>Defined Benefit Component:</u>
VRS: Same as Plan 2.

Political subdivisions hazardous duty employees: Not applicable.

<u>Defined Contribution Component:</u>
Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td>
</tr>
</table>

NOTE 8 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 8 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1. **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2. **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 8 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates: (Cont.)** • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates: (Cont.)** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates: (Cont.)** Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

NOTE 8 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage: (Cont.)	**Disability Coverage: (Cont.)**	**Disability Coverage: (Cont.)** Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 8 – PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	3
Inactive members:	
Vested inactive members	9
Non-vested inactive members	65
Inactive members active elsewhere in VRS	44
Total inactive members	118
Active members	143
Total covered employees	264

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Jail Authority's contractually required employer contribution rate for the year ended June 30, 2018 and 2017 were 11.79% and 11.79%, respectively of covered employee compensation. The 2018 and 2017 rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 Jail Authority were $579,064 and $584,374 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 8 – PENSION PLAN: (CONTINUED)

Net Pension Asset

The Jail Authority's net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Meherrin River Regional Jail Authority Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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.

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.

NOTE 8 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates: (Continued)

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

Largest 10 – Non-Hazardous Duty:

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

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

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

NOTE 8 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Meherrin River Regional Jail Authority Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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.

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, 2016 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%

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%.

NOTE 8 – PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Meherrin River Regional Jail Authority Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at June 30, 2016	$ 3,543,306	$ 3,975,343	$ (432,037)
Changes for the year:			
Service cost	$ 951,239	$ -	$ 951,239
Interest	243,788	-	243,788
Changes in assumptions	(116,033)	-	(116,033)
Differences between expected and actual experience	(398,750)	-	(398,750)
Contributions - employer	-	583,584	(583,584)
Contributions - employee	-	247,096	(247,096)
Net investment income	-	536,453	(536,453)
Benefit payments, including refunds of employee contributions	(121,253)	(121,253)	-
Administrative expenses	-	(2,350)	2,350
Other changes	-	(510)	510
Net changes	$ 558,991	$ 1,243,020	$ (684,029)
Balances at June 30, 2017	$ 4,102,297	$ 5,218,363	$ (1,116,066)

NOTE 8 – PENSION PLAN: (CONTINUED)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

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

	Rate		
	1.00% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1.00% Increase (8.00%)**
Meherrin River Regional Jail Net Pension Liability (Asset)	($339,157)	($1,116,066)	($1,730,255)

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

For the year ended June 30, 2018, the Jail Authority recognized pension expense of $477,975. At June 30, 2018, the Jail Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 507,338
Changes of assumptions	-	93,102
Net difference between projected and actual earnings on pension plan investments	-	90,668
Employer contributions subsequent to the measurement date	579,064	-
Total	$ 579,064	$ 691,108

NOTE 8 – PENSION PLAN: (CONTINUED)

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

$579,064 reported as deferred outflows of resources related to pensions resulting from the Jail Authority's contributions subsequent to the measurement date will be recognized as a component of the Net Pension Asset in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30		
2019	$	(169,814)
2020		(146,420)
2021		(157,336)
2022		(189,886)
2023		(27,652)
Thereafter		-

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB):

HEALTH INSURANCE CREDIT (HIC) PROGRAM:

Plan Description

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Plan Description: (Continued)

The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees of participating employers are enrolled automatically upon employment. They include: • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • **At Retirement** – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month. • **Disability Retirement**- For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	-
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	-
Active members	143
Total covered employees	143

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The Jail Authority's contractually required employer contribution rate for the year ended June 30, 2018 was .18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 from the Jail Authority to the Health Insurance Credit Program were $8,876 and $8,921 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Net HIC OPEB Asset

The Jail Authority's net Health Insurance Credit OPEB asset was measured as of June 30, 2017. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	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 the OPEB liabilities.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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 Life Mortality Table 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, 2016 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%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (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 Life Mortality Table 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, 2016 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%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 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%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 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%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (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 HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy 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 ending June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Changes in Net HIC OPEB Asset

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net HIC OPEB Liability (Asset) (a) - (b)**
Balances at June 30, 2016	$ 30,792	$ 41,702	$ (10,910)
Changes for the year:			
Service cost	$ 9,947	$ -	$ 9,947
Interest	2,193	-	2,193
Assumption changes	(3,225)	-	(3,225)
Contributions - employer	-	8,921	(8,921)
Net investment income	-	5,486	(5,486)
Benefit payments	1,077	1,077	-
Administrative expenses	-	(102)	102
Other changes	-	234	(234)
Net changes	$ 9,992	$ 15,616	$ (5,624)
Balances at June 30, 2017	$ 40,784	$ 57,318	$ (16,534)

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Sensitivity of the Jail Authority's Health Insurance Credit Net OPEB Asset to Changes in the Discount Rate

The follow presents the Jail Authority's Health Insurance Credit Program net HIC OPEB asset using the discount rate of 7.00%, as well as what the Jail Authority's net HIC OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Jail Authority's Net HIC OPEB Asset	$ (10,400)	$ (16,534)	$ (21,556)

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2018, the Jail Authority recognized Health Insurance Credit Program OPEB expense of $7,945. At June 30, 2018, the Jail Authority reported deferred outflows of resources and deferred inflows of resources related to the Jail Authority's Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB plan investments	$ -	$ 1,770
Change in assumptions	-	2,878
Employer contributions subsequent to the measurement date	8,876	-
Total	$ 8,876	$ 4,648

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB (Continued)

$8,876 reported as deferred outflows of resources related to the HIC OPEB resulting from the Jail Authority's contributions subsequent to the measurement date will be recognized as a component of the Net HIC OPEB Asset in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30		
2019	$	(789)
2020		(789)
2021		(789)
2022		(791)
2023		(347)
Thereafter		(1,143)

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

GROUP LIFE INSURANCE (GLI) PROGRAM:

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Plan Description: (Continued)

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts
The benefits payable under the Group Life Insurance Program have several components.
• **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
• **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
• **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  o Accidental dismemberment benefit
  o Safety belt benefit
  o Repatriation benefit
  o Felonious assault benefit
  o Accelerated death benefit option

Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program 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.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Contributions

The contribution requirements for the Group Life Insurance 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 Group Life Insurance 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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Group Life Insurance Program from the entity were $25,887 and $25,846 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Jail Authority reported a liability of $406,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 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 Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .02695% as compared to .02943% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of ($2,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

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

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 9,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	15,000
Change in assumptions	-	21,000
Changes in proportion	-	36,000
Employer contributions subsequent to the measurement date	25,887	-
Total	$ 25,887	$ 81,000

$25,887 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	$ (16,000)
2020	(16,000)
2021	(16,000)
2022	(16,000)
2023	(12,000)
Thereafter	(5,000)

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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 the OPEB liabilities.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 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
Line of Duty Disability	Increased rate from 14% to 25%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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.

The actuarial assumptions used in the June 30, 2016 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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – SPORS 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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 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 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – VaLORS 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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 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 and reduced margin for future improvement in accordance with experience
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 match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – JRS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 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	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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, 2016 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%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (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 Life Mortality Table 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, 2016 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%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 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%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 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%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (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 ending June 30, 2019, the rate contributed by the Jail Authority for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

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

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

	Rate		
	1% Decrease (6.00%)	**Current Discount (7.00%)**	**1% Increase (8.00%)**
Jail Authority's proportionate share of the GLI Net OPEB Liability	$ 525,000	$ 406,000	$ 310,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

LINE OF DUTY ACT (LODA)

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Jail Authority's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The Jail Authority's LODA premium for the year ended June 30, 2018 was $38,944.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

MEHERRIN RIVER REGIONAL JAIL RETIREE MEDICAL PLAN

Plan Description

In addition to the pension benefits described in Note 8 and VRS OPEB benefits already discussed, the Jail Authority administers a single-employer defined benefit healthcare plan, The Meherrin River Regional Jail Retiree Medical Plan. The plan provides health insurance benefits to retired employees and their beneficiaries through an employer plan established July 1, 2013. This plan is limited to retirees that were hired on or before July 1, 2012, with a minimum retiree age of 55 and a minimum of 15 years of service. The plan does not issue a publicly available financial report.

Benefits Provided

Post-employment benefits are provided to eligible retirees include Medical, Dental, and Vision insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. Retirees are responsible for paying 100% of their monthly premiums. Retirees will be covered based on the level of coverage they had while employed at the jail. The jail may change or terminate any portion of this plan at any time. The plan is closed to new entrants.

Plan Membership

At July 1, 2017 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	4
Total active employees without coverage	-
Total retirees with coverage	2
Total retirees without coverage	-
Total	6

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Jail Authority Board. The amount paid by the Jail Authority for OPEB as the benefits came due during the year ended June 30, 2018 was $15,700.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

MEHERRIN RIVER REGIONAL JAIL RETIREE MEDICAL PLAN: (CONTINUED)

Total OPEB Liability

The Jail Authority's total OPEB liability was measured as of July 1, 2017. The total OPEB liability was determined by an actuarial valuation performed as of July 1, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of July 1, 2017.

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.56%
Healthcare Trend Rate	Starts at 5.70% at 6/30/17, increasing to 12.60% for fiscal year end 2018 and gradually declining .50% per year to an ultimate 5.00%
Salary Increases	2.50%

Mortality rates are based on RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2017.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

Since the plan has no assets, the discount rate is equal to the Fidelity Index's "20-year Municipal GO AA Index" as of the measurement date.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

MEHERRIN RIVER REGIONAL JAIL RETIREE MEDICAL PLAN: (CONTINUED)

Changes in Total OPEB Liability

		Total OPEB Liability
Balances at June 30, 2017	$	256,300
Changes for the year:		
Service cost		5,000
Interest		8,800
Benefit payments		(15,700)
Net changes		(1,900)
Balances at June 30, 2018	$	254,400

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

The following amounts present the total OPEB liability of the Jail Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
$ 265,800	$ 254,400	$ 243,500

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

The following presents the total OPEB liability of the Jail Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.70% decreasing to an ultimate rate of 4.00%) or one percentage point higher (6.70% decreasing to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (4.70% decreasing to 4.00%)	Healthcare Cost Trend Rates (5.70% decreasing to 5.00%)	1% Increase (6.70% decreasing to 6.00%)
$ 239,800	$ 254,400	$ 270,100

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

MEHERRIN RIVER REGIONAL JAIL RETIREE MEDICAL PLAN: (CONTINUED)

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

For the year ended June 30, 2018, the Jail Authority recognized OPEB expense in the amount of $13,800. At June 30, 2018, the Jail Authority reported no deferred outflows of resources or deferred inflows of resources related to this plan.

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

NOTE 10 – COMPENSATED ABSENCES:

Jail Authority employees are granted vacation and sick leave in varying amounts. In addition, certain employees accrue compensation time for overtime hours worked. In the event of termination, employees are reimbursed for their unused accumulated vacation and compensation time.

The Jail Authority had outstanding vacation and compensation time pay totaling $567,908 as of June 30, 2018 and considers 10% of the balance to be a current liability.

NOTE 11 – RISK MANAGEMENT / SELF INSURANCE:

The Jail Authority's risk management program involves maintaining comprehensive insurance coverage and identifying and monitoring loss exposure. The Jail Authority's comprehensive property, boiler and machinery, automobile, business interruption, inland marine and worker's compensation insurance is provided through the Virginia Association of Counties (VACO). The purpose of the association is to create and administer group self-insurance pools for political subdivisions of the Commonwealth of Virginia pursuant to the authority provided in Chapter 11.1 of Title 15.1 of the Code of Virginia. The association is managed by a seven member supervisory Board, who is elected by members at their annual meeting. Annual rates are based on estimated claims and reserve requirements. Pool deficits, should they materialize, will be eliminated through the levying of an additional assessment upon association members.

General liability and faithful performance of duty bond coverages are provided by the Commonwealth of Virginia, Department of General Services, and Division of Risk Management. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 – RISK MANAGEMENT / SELF INSURANCE: (CONTINUED)

Employee Health Insurance:

Health Insurance coverage is provided to Jail employees through the Jail Authority's self-insured health insurance program. The Jail Authority changed to a self-insured Health Insurance program as of July 1, 2014. The Jail has contracted with private carriers to administer this activity. Health Insurance expenses represent premium payments to the private carrier. The premium payments are based on the number insured and benefits.

Claims liability is reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Incurred but not reported claims have been accrued as a liability based upon prior history and estimates from the insurance carrier. Changes in the estimated claims liability for fiscal years 2018, 2017 and 2016 are listed as follows:

Fiscal Year Ended	Estimated Claims Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Estimated Claims Liability End of Fiscal Year
June 30, 2018	$ 89,135	$ 1,419,262	$ 1,407,127	$ 101,270
June 30, 2017	85,451	1,401,748	1,398,064	89,135
June 30, 2016	102,792	1,109,969	1,127,310	85,451

Unemployment Insurance:

The Jail is fully self-insured for unemployment claims. The Virginia Employment Commission bills the Jail for all unemployment claims. As of June 30, 2018 the Jail has incurred no liability for billed but unpaid claims. No liability has been recorded for estimated unreported claims. The amount of estimated unreported claims is not expected to be significant.

NOTE 12 – LITIGATION:

At June 30, 2018, there were no matters of litigation involving the Jail Authority which would materially affect the Jail Authority's financial position should any court decisions on pending matters not be favorable.

NOTE 13 – DUE FROM (TO) OTHER GOVERNMENTS:

Amounts due from (to) other governments at June 30, 2018 are as follows:

From (To) Virginia Compensation Board	$	616,653
From (To) Member Jurisdictions		
Brunswick County-per diem		137,725
Dinwiddie County-per diem		(263,626)
Mecklenburg County-per diem		(642,598)
Member Contributions Boydton		(454,015)
		(1,222,514)
Total	$	(605,861)

NOTE 14 – ADOPTION OF ACCOUNTING PRINCIPLES:

The Jail Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Jail Authority implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

Net Position, July 1, 2017, as previously stated	$	32,393,633
GASB 75 Implementation:		
Retiree Medical Plan		(240,600)
Group Life Insurance		(489,000)
Health Insurance Credit		19,831
Writeoff Net OPEB Obligation		48,700
Net Position, July 1, 2017, as restated	$	31,732,564

In the year of implementation of GASB 75, prior year comparative information was unavailable. Therefore, the 2017 information has not been restated to reflect the requirements of GASB 75. In addition, OPEB information as required by GASB 45 was reported in the CAFR dated June 30, 2017 and 2016. This information was not reported herein to avoid confusion and duplication. For details related to the 2017 OPEB information, the prior year CAFR should be referenced.

NOTE 15 – UPCOMING PRONOUNCEMENTS:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

NOTE 15 – UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Changes in Net Pension Asset and Related Ratios
VRS Pension Plan
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 951,239	$ 951,308	$ 997,772	$ 949,467
Interest	243,788	187,566	112,780	45,837
Differences between expected and actual experience	(398,750)	(259,747)	(12,193)	-
Changes in assumptions	(116,033)	-	-	-
Benefit payments, including refunds of employee contributions	(121,253)	(30,675)	(29,297)	(48,652)
Net change in total pension liability	$ 558,991	$ 848,452	$ 1,069,062	$ 946,652
Total pension liability - beginning	3,543,306	2,694,854	1,625,792	679,140
Total pension liability- ending (a)	$ 4,102,297	$ 3,543,306	$ 2,694,854	$ 1,625,792
Plan fiduciary net position				
Contributions - employer	$ 583,584	$ 628,942	$ 638,952	$ 652,301
Contributions - employee	247,096	264,372	270,366	273,876
Net investment income	536,453	79,790	118,736	213,835
Benefit payments, including refunds of employee contributions	(121,253)	(30,675)	(29,297)	(48,652)
Administrative expense	(2,350)	(1,369)	(713)	(405)
Other	(510)	(28)	(28)	11
Net change in plan fiduciary net position	$ 1,243,020	$ 941,032	$ 998,016	$ 1,090,966
Plan fiduciary net position - beginning	3,975,343	3,034,311	2,036,295	945,329
Plan fiduciary net position - ending (b)	$ 5,218,363	$ 3,975,343	$ 3,034,311	$ 2,036,295
Authority's net pension asset - ending (b) - (a)	$ 1,116,066	$ 432,037	$ 339,457	$ 410,503
Plan fiduciary net position as a percentage of the total pension liability	127.21%	112.19%	112.60%	125.25%
Covered payroll	$ 4,956,500	$ 5,288,557	$ 5,372,071	$ 5,435,712
Authority's net pension asset as a percentage of covered payroll	22.52%	8.17%	6.32%	7.55%

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions
VRS Pension Plan
For the Years Ended June 30, 2013 through June 30, 2018

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)
2018	$ 579,064	579,064	$ -	$ 4,929,397	11.75%
2017	584,374	584,374	-	4,956,500	11.79%
2016	629,338	629,338	-	5,288,557	11.90%
2015	639,279	639,279	-	5,372,071	11.90%
2014	652,286	652,286	-	5,435,712	12.00%
2013	583,639	583,639	-	4,863,661	12.00%

Meherrin River Regional Jail opened July 1, 2012.

Notes to Required Supplementary Information
VRS Pension Plan
For the Year Ended June 30, 2018

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%

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios
VRS Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

		2017
Total HIC OPEB Liability		
Service cost	$	9,947
Interest		2,193
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions		(3,225)
Benefit payments		1,077
Net change in total HIC OPEB liability	$	9,992
Total HIC OPEB Liability - beginning		30,792
Total HIC OPEB Liability - ending (a)	$	40,784
Plan fiduciary net position		
Contributions - employer	$	8,921
Net investment income		5,486
Benefit payments		1,077
Administrative expense		(102)
Other		234
Net change in plan fiduciary net position	$	15,616
Plan fiduciary net position - beginning		41,702
Plan fiduciary net position - ending (b)	$	57,318
Authority's net HIC OPEB liability - ending (a) - (b)	$	(16,534)
Plan fiduciary net position as a percentage of the total HIC OPEB liability		140.54%
Covered payroll	$	4,956,500
Authority's net HIC OPEB liability as a percentage of covered payroll		-0.33%

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.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Authority's Share of Net OPEB Liability
VRS Group Life Insurance Program (GLI)
For the Year Ended June 30, 2018

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)
2017	0.02695%	$ 406,000	$ 4,956,500	8.19%	48.86%

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions
VRS OPEB Plans
For the Years Ended June 30, 2013 through June 30, 2018

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)
Group Life Insurance (GLI) Program					
2018	$ 25,887	$ 25,887	$ -	$ 4,940,640	0.52%
2017	25,846	25,846	-	4,956,500	0.52%
2016	25,385	25,385	-	5,288,557	0.48%
2015	25,598	25,598	-	5,372,071	0.48%
2014	25,875	25,875	-	5,435,712	0.48%
2013	23,162	23,162	-	4,863,661	0.48%
Health Insurance Credit (HIC) Program					
2018	$ 8,876	$ 8,876	$ -	$ 4,929,397	0.18%
2017	8,920	8,920	-	4,956,500	0.18%
2016	10,577	10,577	-	5,288,557	0.20%
2015	10,747	10,747	-	5,372,071	0.20%
2014	24,572	24,572	-	5,435,712	0.45%
2013	6,330	6,330	-	4,863,661	0.13%

Meherrin River Regional Jail opened July 1, 2012.

Notes to Required Supplementary Information
VRS OPEB Plans
For the Year Ended June 30, 2018

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

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:

Health Insurance Credit Program (HIC)

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%

Notes to Required Supplementary Information
VRS OPEB Plans
For the Year Ended June 30, 2018 (Continued)

Group Life Insurance Program (GLI)

General State 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 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
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
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 50% to 35%

Notes to Required Supplementary Information
VRS OPEB Plans
For the Year Ended June 30, 2018 (Continued)

Group Life Insurance Program (GLI: (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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%

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Changes in Total OPEB Liability and Related Ratios
Retiree Medical Plan
For the Year Ended June 30, 2018

		2018
Total OPEB liability		
Service cost	$	5,000
Interest		8,800
Benefit payments		(15,700)
Net change in total OPEB liability	$	(1,900)
Total OPEB liability - beginning		256,300
Total OPEB liability - ending	$	254,400
Covered-employee payroll	$	213,000
Authority's total OPEB liability (asset) as a percentage of covered payroll		119.44%

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions
Retiree Medical Plan
For the Years Ended June 30, 2014 through June 30, 2018

Date	Actuarially Determined Contribution (ADC) (1)	Contributions in Relation to ADC (2)	Contribution Deficiency (Excess) (3)	Covered-Employee Payroll (4)	Contributions as a % of Covered-Employee Payroll (5)
2018	$ 15,700	$ 15,700	$ -	$ 213,000	7.37%
2017	15,700	15,700	-	212,900	7.37%
2016	15,600	15,600	-	283,900	5.49%
2015	10,100	10,100	-	283,900	3.56%
2014	8,200	8,200	-	283,900	2.89%

Schedule is intended to show information for 10 years. Meherrin River Regional Jail opened July 1, 2012. The Retiree Medical Plan began in fiscal year 2014.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information
Retiree Medical Plan
For the Year Ended June 30, 2018

Valuation Date: 7/1/2017
Measurement Date: 7/1/2017

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56% as of 6/30/17, representing the Municipal GO AA 20-year curve rate.
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.70% at 6/30/17, increasing to 12.60% for fiscal year end 2018 and gradually declining .50% per year to an ultimate 5.00%
Salary Increase Rates	The salary increase rate is a constant rate of 2.50%
Mortality Rates	RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2017

STATISTICAL INFORMATION

The statistical section is a required part of the Comprehensive Annual Financial Report (CAFR) per Governmental Accounting Standards Board Statement 44. The statistical section presents detailed information in ten-year trends, which assists users in utilizing the basic financial statements, notes to the basic financial statements, and requires supplementary information to assess the economic condition of an organization.

The statistical section is broken down into five categories; financial trend data, revenue capacity data, debt capacity data, demographic and economic information, and operating information.

The financial trend data is comprised of tables that show net position by component, changes in net position, operating expenses, other revenues and expenses, and operating revenues and expenses. The revenue capacity data looks at such things as operating revenues by source, revenue and billed inmate days by customer and largest revenue source. The debt capacity data shows outstanding debt by type and revenue bond coverage ratios. The demographic and economic information is comprised of number of inmates, principal employers, population, and unemployment rates by jurisdiction. The operating information contains tables for number of employees by activities and a listing of insurance coverage.

TABLE 1

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
NET POSITION BY COMPONENT

Last Ten Fiscal Years

	2018	2017	2016	2015	2014[1]	2013
Net investment in capital assets	$ 26,177,891	$ 26,539,956	$ 27,068,830	$ 27,569,130	$ 28,143,944	$ 241,136
Unrestricted	7,244,248	5,853,677	4,483,798	3,077,973	1,393,421	292,371
Total Net Position	$ 33,422,139	$ 32,393,633	$ 31,552,628	$ 30,647,103	$ 29,537,365	$ 533,507

NOTE: Meherrin River Regional Jail opened July 1, 2012.

[1] The large increase in net position in FY 2014 is primarily due to a $30,417,889 state reimbursement which reimbursed the Authority 50% of the cost to build the facility. The state reimbursement was used to pay off $29,320,000 in interim financing causing an especially large decrease in liabilities.

TABLE 2

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
CHANGES IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Nonoperating Revenues	Nonoperating Expenses	Total Capital Contributions	Change In Net Position
2018	$ 14,561,267	$ 13,942,602	$ 618,665	$ 2,553,429	$ 1,482,519	$ -	$ 1,689,575
2017	13,609,619	13,603,610	6,009	2,661,183	1,826,187	-	841,005
2016	13,552,970	13,833,902	(280,932)	2,867,694	1,681,237	-	905,525
2015	13,004,465	13,908,237	(903,772)	2,774,095	1,699,152	20,077	191,248
2014	12,266,456	13,776,861	(1,510,405)	1,839,601	1,772,010	30,446,672 [1]	29,003,858
2013	12,594,951	13,301,434	(706,483)	-	-	2,261,618	1,555,135

NOTE: Meherrin River Regional Jail opened July 1, 2012

1 The large increase in capital contributions in FY 2014 is primarily due to a $30,417,889 state reimbursement which reimbursed the Authority 50% of the cost to build the facility. The state reimbursement was used to pay off $29,320,000 in interim financing causing an especially large decrease in liabilities.

TABLE 3

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OPERATING EXPENSES

Last Ten Fiscal Years

Year	Personnel	Fringes	Contractual	Other Charges	Depreciation	Expenses
2018	$ 5,286,912	$ 2,291,765	$ 2,635,717	$ 2,274,761	$ 1,453,447	$ 13,942,602
2017	5,120,551	2,376,546	2,478,751	2,180,213	1,447,549	13,603,610
2016	5,437,858	2,230,394	2,525,703	2,035,067	1,604,880	13,833,902
2015	5,492,791	2,237,722	2,529,170	2,070,740	1,577,814	13,908,237
2014	5,591,719	2,327,033	2,230,265	2,051,373	1,576,471	13,776,861
2013	5,400,890	2,293,469	1,861,500	2,179,504	1,566,072	13,301,434

NOTE: Meherrin River Regional Jail opened July 1, 2012.

TABLE 4

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OTHER REVENUES AND EXPENSES

Last Ten Fiscal Years

Fiscal Year	Nonoperating Revenues	Capital Contributions	Nonoperating Expenses	Total Other Revenues and Expenses
2018	$ 2,553,429	$ -	$ 1,482,519	$ 1,070,910
2017	2,661,183	-	1,826,187	834,996
2016	2,867,694	-	1,681,237	1,186,457
2015	2,774,095	20,077	1,699,152	1,095,020
2014	1,839,601	30,446,672 [1]	1,772,010	30,514,263
2013	-	2,261,618	-	2,261,618

NOTE: Meherrin River Regional Jail opened July 1, 2012.

[1] The large increase in capital contributions in FY 2014 is primarily due to a $30,417,889 state reimbursement which reimbursed the Authority 50% of the cost to build the facility. The state reimbursement was used to pay off $29,320,000 in interim financing causing an especially large decrease in liabilities.

TABLE 5

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OPERATING REVENUES AND EXPENSES

Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013
Revenues:						
Member Jurisdictions	$ 6,300,443	$ 5,611,205	$ 5,372,922	$ 5,017,868	$ 4,200,622	$ 5,274,218
State Compensation Board	7,339,444	7,205,199	7,325,919	7,155,205	7,366,903	6,639,914
Inmate Phones	270,000	270,000	275,233	269,057	288,763	310,874
Daily Fees	111,688	120,087	148,548	170,707	153,601	182,959
Work Release	50,479	39,255	66,970	63,240	48,542	27,975
Weekender Fees	12,151	12,820	16,540	19,575	17,904	13,227
Home Incarceration	6,463	6,940	7,115	17,641	11,173	15,827
Medical Co-Pays	10,866	13,813	14,127	12,801	6,588	9,031
Medical Reimbursement	47,875	53,309	44,329	47,846	-	-
Internet Visitation	9,144	9,705	10,809	7,530	5,075	-
Bed Rentals	283,536	246,350	259,341	204,300	153,975	-
Dining Operations	51,994	-	-	-	-	-
Miscellaneous	67,184	20,936	11,117	18,695	13,310	120,926
Total Revenues	$ 14,561,267	$ 13,609,619	$ 13,552,970	$ 13,004,465	$ 12,266,456	$ 12,594,951
Expenses:						
Salaries and benefits	$ 7,578,677	$ 7,497,097	$ 7,668,252	$ 7,730,513	$ 7,918,752	$ 7,694,359
Professional services	80,453	56,202	65,803	79,786	74,462	61,531
Materials and supplies	875,873	847,201	749,097	782,525	746,491	886,208
Medical services and supplies	2,555,264	2,422,549	2,459,900	2,449,384	2,155,802	1,799,969
Food service and supplies	737,368	701,782	702,751	656,597	628,475	612,681
Utilities	661,520	631,230	583,219	631,618	676,408	680,614
Depreciation	1,453,447	1,447,549	1,604,880	1,577,814	1,576,471	1,566,072
Total expenses	$ 13,942,602	$ 13,603,610	$ 13,833,902	$ 13,908,237	$ 13,776,861	$ 13,301,434
Net operating income (loss)	$ 618,665	$ 6,009	$ (280,932)	$ (903,772)	$ (1,510,405)	$ (706,483)

NOTE: Meherrin River Regional Jail opened July 1, 2012.

TABLE 6

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OPERATING REVENUES BY SOURCE

Last Ten Fiscal Years

Fiscal Year	County of Brunswick	County of Dinwiddie	County of Mecklenburg	Other Governments	Other	Total
2018	$ 2,168,894	$ 1,496,184	$ 2,635,365	$ 7,339,444	$ 921,380	$ 14,561,267
2017	1,960,483	1,252,815	2,397,907	7,205,199	793,215	13,609,619
2016	1,669,520	1,193,185	2,510,217	7,325,919	854,129	13,552,970
2015	1,470,054	1,191,548	2,356,266	7,155,205	831,392	13,004,465
2014	1,269,013	794,993	2,136,616	7,366,903	698,931	12,266,456
2013	1,774,801	1,071,699	2,427,718	6,639,914	680,819	12,594,951

NOTE: Meherrin River Regional Jail opened on July 1, 2012.

TABLE 7

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
REVENUES & BILLED INMATE DAYS - BY CUSTOMER

Last Ten Fiscal Years

	Brunswick County			Dinwiddie County			Mecklenburg County		
Fiscal Year	Revenue	Per Diem	Inmate Days Billed	Revenue	Per Diem	Inmate Days Billed	Revenue	Per Diem	Inmate Days Billed
2018	$2,168,894	$ 43.47	49,894	$1,496,184	$ 43.47	34,419	$2,635,365	$ 43.47	60,625
2017	$1,960,483	$ 37.50	52,280	$1,252,815	$ 37.50	33,408	$2,397,907	$ 37.50	63,944
2016	$1,669,520	$ 36.80	45,367	$1,193,185	$ 36.80	32,424	$2,510,217	$ 36.80	68,212
2015	$1,470,054	$ 30.89	47,590	$1,191,548	$ 30.89	38,574	$2,356,266	$ 30.89	76,279
2014	$1,269,013	$ 29.95	42,371	$ 794,993	$ 29.95	26,544	$2,136,616	$ 29.95	71,339
2013	$1,774,801	$ 34.61	51,280	$1,071,699	$ 34.61	30,965	$2,427,718	$ 34.61	70,145

NOTE: Meherrin River Regional Jail opened July 1, 2012.

Table 8

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
LARGEST REVENUE SOURCE

Current Year and Period Five Years Ago

	Fiscal Year 2018		Fiscal Year 2013	
	Amount	%	Amount	%
State Compensation Board	$ 7,339,444	50.40%	$ 6,639,914	52.72%
Mecklenburg County	2,635,365	18.10%	2,427,718	19.28%
Subtotal	9,974,809	68.50%	9,067,632	71.99%
Balance from other revenue sources	4,586,458	31.50%	3,527,319	28.01%
Grand Totals	$ 14,561,267	100.00%	$ 12,594,951	100.00%

The table includes the largest revenue sources required to reach 50 percent of the revenue base.

NOTE: Meherrin River Regional Jail opened July 1, 2012.

Table 9

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OUTSTANDING DEBT BY TYPE
AND RATIOS TO PERSONAL INCOME AND POPULATION

Last Ten Fiscal Years

Fiscal Year	Revenue Bonds	Notes Payable	Total	Annual Personal Income (1) (in thousands)	Debt to Personal Income	Population (1)	Debt per Capita
2018	$ 41,199,804	$ -	$ 41,199,804	$ Unavailable	$ Unavailable	$ Unavailable	$ Unavailable
2017	42,461,083	-	42,461,083	4,592,002	0.92%	124,933	339.87
2016	40,325,753	-	40,325,753	4,554,626	0.89%	79,032	510.25
2015	41,326,563	-	41,326,563	4,424,652	0.93%	78,887	523.87
2014	42,313,408	-	42,313,408	4,350,346	0.97%	78,741	537.37
2013	42,420,688	29,320,000	71,740,688	4,332,788	1.66%	78,596	912.78

NOTE: Meherrin River Regional Jail opened July 1, 2012.

(1) Total for Member Localities - from Table 13

Table 10

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
REVENUE BOND COVERAGE

Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating and Capital Expenses (1)	Available Unrestricted Net Position	Net Revenue Available for Debt Service	Principal	Interest	Payments to Reserves	Total (2)	Bond Coverage
2018	$ 14,561,267	$ 12,489,155	$ 7,244,248	$ 9,316,360	$ 940,000	$ 1,610,339	$ -	$ 2,550,339	3.65
2017	13,609,619	12,156,061	5,853,677	7,307,235	920,000	1,639,326	-	2,559,326	2.86
2016	13,552,970	12,229,022	4,483,798	5,807,746	895,000	1,792,138	-	2,687,138	2.16
2015	13,004,465	12,330,423	3,077,973	3,752,015	880,000	1,809,675	-	2,689,675	1.39
2014	12,266,456	12,200,390	1,393,421	1,459,487	-	1,817,030	-	1,817,030	0.80
2013	12,594,951	11,735,362	292,371	1,151,960	-	-	-	-	N/A

NOTE: Meherrin River Regional Jail opened July 1, 2012.

(1) Actual operating expenses, exclusive of depreciation.
(2) There were no bond payments due in FY2013 because all interest was capitalized during construction.

TABLE 11

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
INMATE BOOKING STATISTICS

Last Ten Fiscal Years

Jurisdiction	Fiscal Year	Average Daily Population	Average Length of Stay (Days)	Average Monthly Bookings
Brunswick	2018	137	43	54
	2017	126	44	57
	2016	114	40	62
	2015	117	41	56
	2014	125	44	62
	2013	140	26	78
Jurisdiction	**Fiscal Year**	**Average Daily Population**	**Average Length of Stay (Days)**	**Average Monthly Bookings**
Dinwiddie	2018	94	39	49
	2017	80	41	45
	2016	81	39	48
	2015	95	39	53
	2014	84	55	49
	2013	85	23	56
Jurisdiction	**Fiscal Year**	**Average Daily Population**	**Average Length of Stay (Days)**	**Average Monthly Bookings**
Mecklenburg	2018	166	49	100
	2017	154	53	93
	2016	172	36	99
	2015	187	44	91
	2014	186	52	94
	2013	179	28	72
Jurisdiction	**Fiscal Year**	**Average Daily Population**	**Average Length of Stay (Days)**	**Average Monthly Bookings**
Other	2018	20	47	20
	2017	17	55	20
	2016	16	45	21
	2015	14	27	18
	2014	12	78	19
	2013	0	0	0

NOTE: Meherrin River Regional Jail opened July 1, 2012.

TABLE 12

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
PRINCIPAL EMPLOYERS

CURRENT YEAR AND PERIOD NINE YEARS AGO

Brunswick County			Dinwiddie County			Mecklenburg County		
2018			2018			2018		
Rank	Employer	Employees	Rank	Employer	Employees	Rank	Employer	Employees
1	Brunswick County School Board	250 - 499	1	Amazon Com KYDC Inc	1000 & over	1	Mecklenburg County School Board	500 - 999
2	Geo Corrections & Detention Inc	250 - 499	2	Wal Mart	1000 & over	2	MCV Hospital	500 - 999
3	Southside Virginia Community College	100 - 249	3	Central State Hospital	500 - 999	3	Global Safety Textiles LLC	250 - 499
4	County of Brunswick	100 - 249	4	Dinwiddie County School Board	500 - 999	4	ONE Jeanswear Group	250 - 499
5	Meherrin River Regional Jail	100 - 249	5	Chaparral	250 - 499	5	Wal Mart	250 - 499
6	Hyponex Corporation	50 - 99	6	Dinwiddie Board of Supervisors	250 - 499	6	Food Lion	100 - 249
7	Brunswick Academy	50 - 99	7	Tindall Concrete Products	100 - 249	7	County of Mecklenburg	100 - 249
8	Melvin L. Davis Oil Company	50 - 99	8	Integrity Staffing Solutions	100 - 249	8	Sentara Healthcare	100 - 249
9	Food Lion	50 - 99	9	Hiram W. Davis Medical Center	100 - 249	9	Monroe Tree Service Division	100 - 249
10	Virginia Carolina Forest	50 - 99	10	Humana Insurance Company	100 - 249	10	Penmac Personnel Services	100 - 249
2009			2009			2009		
Rank	Employer	Employees	Rank	Employer	Employees	Rank	Employer	Employees
1	Brunswick County School Board	250 - 499	1	Southside Virginia Training Center	1000 & over	1	Mecklenburg County School Board	1000 & over
2	Brunswick Correctional Center	250 - 499	2	Wal Mart	1000 & over	2	Community Memorial Health	500 - 999
3	Wackenhut Corrections	250 - 499	3	Central State	500 - 999	3	Jones Distribution Center	250 - 499
4	Southside Virginia Community College	250 - 499	4	Dinwiddie County School Board	500 - 999	4	Peebles	250 - 499
5	Saint Paul's College	100 - 249	5	Chaparral	250 - 499	5	Mecklenburg Correctional Center	250 - 499
6	County of Brunswick	100 - 249	6	Tindall Concrete Products	250 - 499	6	Wal Mart	250 - 499
7	Mr. Bults Inc.	100 - 249	7	County of Dinwiddie	100 - 249	7	Monroe Tree Services Division	100 - 249
8	Brick and Tile Corporation of Lawrenceville	50 - 99	8	Virginia Center for Behavioral	100 - 249	8	County of Mecklenburg	100 - 249
9	Brunswick Academy	50 - 99	9	Hiram W. Davis Medical Center	100 - 249	9	Bst Safety Textiles LLC	100 - 249
10	Alphastaff Inc	50 - 99	10	Iluka Resources	100 - 249	10	Food Lion	100 - 249

SOURCE: Virginia Employment Commission

TABLE 13

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
DEMOGRAPHIC STATISTICS FOR MEMBER JURISDICTIONS

LAST TEN CALENDAR YEARS

	Brunswick County				Dinwiddie County (1)				Mecklenburg County			
Calendar Year	Population	Annual Personal Income (in thousands)	Annual Per Capita Personal Income	Unemploy-ment Rate	Population	Annual Personal Income (in thousands)	Annual Per Capita Personal Income	Unemploy-ment Rate	Population	Annual Personal Income (in thousands)	Annual Per Capita Personal Income	Unemploy-ment Rate
2017	16,243	$ 535,329	$ 32,958	5.40%	77,798	$ 2,984,012	$ 38,356	3.90%	30,892	$ 1,072,661	$ 34,723	5.00%
2016	17,289	$ 523,182	$ 31,332	6.00%	28,926	$ 2,970,447	$ 38,010	4.80%	32,817	$ 1,060,997	$ 34,137	5.60%
2015	17,313	$ 510,317	$ 30,932	6.80%	28,772	$ 2,880,056	$ 36,787	5.30%	32,802	$ 1,034,279	$ 33,158	6.20%
2014	17,337	$ 491,368	$ 29,496	8.20%	28,617	$ 2,852,265	$ 36,461	6.40%	32,787	$ 1,006,713	$ 32,126	7.70%
2013	17,361	$ 483,910	$ 28,360	9.10%	28,463	$ 2,836,555	$ 36,470	5.90%	32,772	$ 1,012,323	$ 31,876	9.20%
2012	17,385	$ 478,049	$ 27,857	10.70%	28,309	$ 2,794,646	$ 36,008	6.80%	32,757	$ 983,056	$ 30,175	10.10%
2011	17,410	$ 470,821	$ 27,021	10.70%	28,155	$ 2,665,303	$ 34,188	7.20%	32,742	$ 954,645	$ 29,194	11.00%
2010	17,434	$ 473,514	$ 27,047	12.10%	28,001	$ 2,617,602	$ 33,740	8.00%	32,727	$ 942,815	$ 28,731	11.70%
2009	17,507	$ 466,284	$ 26,209	11.60%	27,888	$ 2,585,531	$ 33,404	8.90%	32,815	$ 930,829	$ 28,275	11.50%
2008	17,791	$ 436,862	$ 24,511	6.10%	27,694	$ 2,491,715	$ 32,420	4.50%	32,920	$ 885,731	$ 26,985	5.70%

(1) According to the U.S. Census Bureau, Dinwiddie is part of a Virginia combination area which includes Dinwiddie, Colonial Heights, and Petersburg. Separate estimates for Dinwiddie are not available.

SOURCE: Provided by US Census Bureau, LAUS Unit, and Bureau of Labor Statistics.

TABLE 14

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
NUMBER OF EMPLOYEES AND CAPITAL ASSET STATISTICS BY IDENTIFIABLE ACTIVITY

Last Ten Fiscal Years

	Number of Employees					
	2018	**2017**	**2016**	**2015**	**2014**	**2013**
Civilians	21	16	15	15	14	16
Sworn Officers	123	119	130	138	147	143
Total Employees	144	135	145	153	161	159

	Number of Capital Assets					
	2018	**2017**	**2016**	**2015**	**2014**	**2013**
Vehicles	25	25	23	21	21	21
Housing Units [1]	24	24	24	24	24	24
Total Capital Assets	49	49	47	45	45	45

[1] 15 Housing Units are contained within one building at the Alberta facility
9 Housing Units are contained within one building at the Boydton facility

NOTE: Meherrin River Regional Jail opened July 1, 2012.

TABLE 15

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
SCHEDULE OF INSURANCE IN FORCE

As of June 30, 2018

Insurance Coverage	Insurance Company	Expiration Date	Coverage Limit	Deductible
Building & Personal Property	VACO	7/1/2018	As scheduled	$ 1,000
Electronic Data Processing Equipment	VACO	7/1/2018	$ 100,000	$ 1,000
Earthquake/Flood	VACO	7/1/2018	As scheduled	$ 25,000
Business Auto	VACO	7/1/2018	$ 2,000,000	$ 250
Schedule Equipment	VACO	7/1/2018	As scheduled	$ 1,000
Boiler and Machinery	VACO	7/1/2018	As scheduled	$ 1,000
Business Interruption and Extra Expense	VACO	7/1/2018	$ 100,000	N/A
Workers Compensation	VACO	7/1/2018	$ 1,000,000	N/A
Faithful Performance of Duty	VACO	7/1/2018	$ 250,000	$ 250
Line of Duty	VACO	7/1/2018	Statutory Limit	N/A
Bond (1)	Division of Risk Management			
Constitutional Officer (1)	Commonwealth of Virginia-Division of Risk Management	7/1/2018	$ 1,000,000	$ 1,000

N/A - Not Applicable

(1) - Provided by the Commonwealth of Virginia

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
Meherrin River Regional Jail Authority
Alberta, 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 Meherrin River Regional Jail Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Meherrin River Regional Jail Authority's basic financial statements and have issued our report thereon dated October 12, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meherrin River 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 Meherrin River Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Meherrin River 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 Meherrin River Regional Jail Authority's financial statements are free of 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, Farmer, Cox Associates

Charlottesville, Virginia
October 12, 2018