



# **BLUE RIDGE**

## REGIONAL JAIL AUTHORITY

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**FINANCIAL REPORT**

**June 30, 2018**





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## **INTRODUCTORY SECTION**

**DIRECTORY OF PRINCIPAL OFFICIALS**  
**June 30, 2018**

**COUNTY OF AMHERST**

Member: E. W. Viar, Sheriff – Alternate: Betty T. Wise, Major  
Member: Dean C. Rogers, County Administrator – Alternate: David Proffitt, Assistant County Administrator

**COUNTY OF APPOMATTOX**

Member: Barry Letterman, Sheriff (Vice Chairman) – Alternate: Donald Simpson, Major  
Member: Susan M. Adams, County Administrator – Alternate: John Spencer, Assistant County Administrator

**COUNTY OF BEDFORD**

Member: Michael J. Brown, Sheriff – Alternate: Ricky Gardner, Major  
Member: Carl Boggess, County Administrator – Alternate: Vacant

**COUNTY OF CAMPBELL**

Member: Steve A. Hutcherson, Sheriff – Alternate: L. T. Guthrie, Major  
Member: Clifton M. Tweedy, Assistant County Administrator (Chairman) –  
Alternate: Frank J. Rogers, County Administrator

**COUNTY OF HALIFAX**

Member: Fred Clark, Sheriff – Alternate: Thomas Spencer, Major  
Member: James M. Halasz, County Administrator – Alternate: Stephanie C. Jackson, Director of Finance

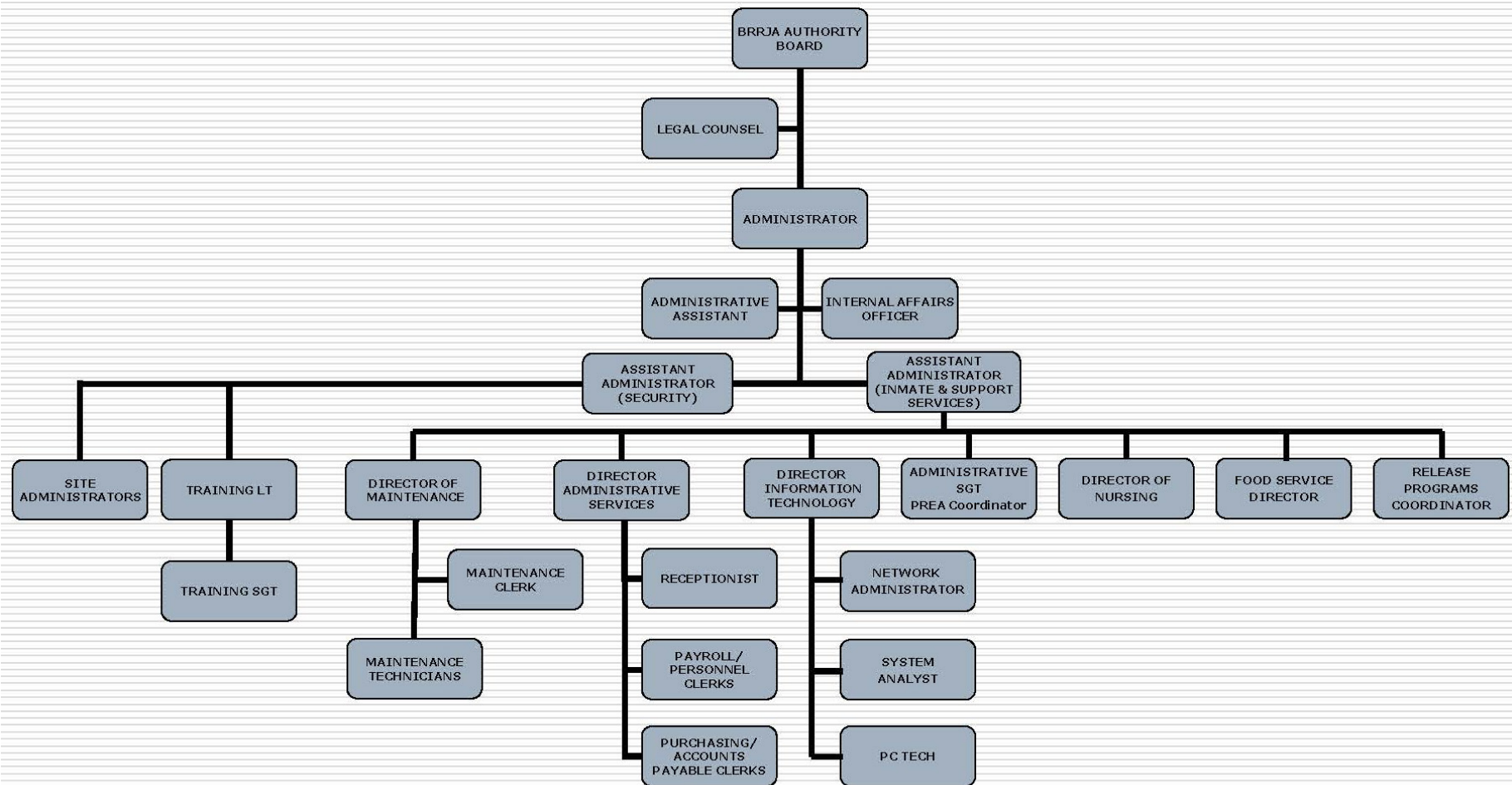
**CITY OF LYNCHBURG**

Member: Donald T. Sloan, Sheriff – Alternate: Thomas Cater, Major  
Member: Bonnie Svrcek, City Manager – Alternate: Raul M. Diaz, Chief of Police

**ADMINISTRATOR**

Timothy E. Trent

# BLUE RIDGE REGIONAL JAIL AUTHORITY ADMINISTRATION ORGANIZATIONAL CHART



REVISED 03.10.16



## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of  
the Board of Directors  
Blue Ridge Regional Jail Authority  
Lynchburg, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the Blue Ridge Regional Jail Authority (the "Authority"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As described in Note 14 to the financial statements, in 2018 the Authority adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and combining statement of changes in assets and liabilities – agency funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018 on our consideration of the 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 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 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 the Authority's internal control over financial reporting and compliance.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
October 26, 2018

**BLUE RIDGE REGIONAL JAIL AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

This management's discussion and analysis of Blue Ridge Regional Jail Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2018. Please read this information in conjunction with the Authority's financial statements, which follow this section.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority presents its financial statements under Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The Authority presents three basic financial statements, including a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows.

Financial position is measured in terms of resources (assets and deferred outflows of resources) we own and obligations (liabilities and deferred inflows of resources) we owe on a given date. This information is reported on the Statement of Net Position, which reflects the Authority's assets and deferred outflows of resources in relation to its debts to its creditors, employees and bondholders, and deferred inflows. The excess of our assets and deferred outflows over liabilities and deferred inflows of resources is our equity, or net position.

Information regarding the results of operations during the year is reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement shows how much our overall net position increased or decreased during the year as a result of our operations and other factors.

Our Statement of Cash Flows discloses the flow of cash resources into and out of the Authority during the year (from operations, financing, and other sources) and how we applied those funds (payment of expenses, repayment of debt, etc.).

**BLUE RIDGE REGIONAL JAIL AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

**FINANCIAL SUMMARY**

A summary of the Authority's Statement of Net Position for the operating and canteen funds for 2018 and 2017 is presented below:

<b>Condensed Statement of Net Position</b>		
	<b>2018</b>	<b>2017</b>
Current assets	\$ 23,143,129	\$ 22,111,122
Restricted assets	4,682,721	4,680,255
Noncurrent assets	85,090,047	86,301,889
Total assets	112,915,897	113,093,266
Deferred outflows of resources	1,919,693	2,797,488
Current liabilities	6,695,854	8,115,215
Noncurrent liabilities	43,312,811	45,559,772
Total liabilities	50,008,665	53,674,987
Deferred inflows of resources	2,071,483	653,714
Net position:		
Net investment in capital assets	41,057,219	45,242,749
Restricted	5,281,600	-
Unrestricted	16,416,623	16,319,304
Total net position	\$ 62,755,442	\$ 61,562,053

The financial position of the Authority continues to remain strong. The Authority's unrestricted net position increased by 0.60% in 2018 and total net position increased by 1.94% in 2018.

**BLUE RIDGE REGIONAL JAIL AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

**CHANGE IN NET POSITION**

A summary of the Authority's Statement of Revenues, Expenses, and Changes in Fund Net Position for 2018 and 2017 is presented below:

<b>Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position</b>		
	<b>2018</b>	<b>2017</b>
Operating revenues	\$ 34,318,604	\$ 33,854,529
Operating expenses	30,203,905	30,090,788
Operating income	4,114,699	3,763,741
Net nonoperating expenses	(1,472,568)	(1,594,785)
Change in net position	<u>\$ 2,642,131</u>	<u>\$ 2,168,956</u>

Operating revenues are defined as charges for services to participant localities, outside localities and the Commonwealth based upon inmate days. Operating revenues also include other outside revenue sources.

Operating expenses are comprised of the direct expenses of operating the jail. These include salaries and benefits, contractual services and other inmate related jail operating costs.

Nonoperating revenues (expenses) consist of Commonwealth of Virginia State Compensation Board personnel cost reimbursements, interest and investment earnings, and interest expense.

Operating revenues showed an increase of \$464,075 in 2018. This represents a 1.37% increase. Compensation Board revenues increased \$458,338 or 3.25% in 2018. Our outside jurisdiction revenue decreased 0.35% in 2018. During the same time, federal per diem revenue decreased 10.28% or \$10,829 due to a decrease in federal inmates housed. Operating expenses increased \$113,117 or 0.37% in 2018.

(Continued)

**BLUE RIDGE REGIONAL JAIL AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

**CASH FLOWS**

A summary of the Authority's Statement of Cash Flows for 2018 and 2017 is presented below:

<b>Condensed Statement of Cash Flows</b>		
	<b>2018</b>	<b>2017</b>
Cash flows provided by operating activities	\$ 5,966,938	\$ 6,145,892
Cash flows provided by noncapital financing activities	30,000	30,000
Cash flows provided by capital and related financing activities	(5,009,954)	(4,729,434)
Cash flows provided by investing activities	200,213	85,978
Net increase in cash and cash equivalents	1,187,197	1,532,436
Cash and cash equivalents, beginning of year	19,395,433	17,862,997
Cash and cash equivalents, end of year	<u>\$ 20,582,630</u>	<u>\$ 19,395,433</u>

Cash flows provided by operating activities are comprised of operating revenues combined with expenditures for personnel, benefits, and payments to operating suppliers. Cash flows provided by non-capital transactions are comprised of funds received from nonoperating sources.

Cash flows used in capital and related financing activities include the purchase of capital assets and principal and interest paid on capital debt. Cash flows provided by investing activities include interest and investment earnings, and the purchase and sale of investments.

The net difference in cash and cash equivalents from the beginning to the end of the year was a net increase of \$1,187,197 or 6.12%. A reduction in cash flows from financing activities was offset by an increase in cash flows from operating and investing activities.

**CAPITAL ASSETS**

The Authority's net capital assets decreased by \$1,833,008 in fiscal year 2018. Assets of \$991,061 were placed in service in 2018, including a new HVAC unit at the Amherst facility, new vehicles, security upgrades, and other equipment at various jail sites. However, those increases were offset by a depreciation expense of \$2,824,069.

See Note 4 for more details on capital assets.

**LONG TERM DEBT**

Revenue bonds, which were issued on November 1, 1997, were advance refunded in November 2009. Additional bonds were issued on November 19, 2009 to advance refund the 1997 issue and to provide funding for the completion of the Amherst jail facility and the Halifax jail renovations. The total of these bonds was \$56,980,000, which mature in various installments through October 1, 2034. Principal payments of \$2,205,000 were made on these bonds in fiscal year 2018.

See Note 5 for more details on long-term debt.

(Continued)

**BLUE RIDGE REGIONAL JAIL AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

**ALLOCATION OF UNRESTRICTED NET POSITION**

In fiscal year 2017, the Authority Board of Directors authorized the allocation of its unrestricted net position. These allocations are detailed in Note 13.

**SUMMARY**

As demonstrated above, the financial position of the Blue Ridge Regional Jail Authority is measured in terms of resources (assets and deferred outflows) we own and obligations (liabilities and deferred inflows) we owe on a given date. Under the guidance of the Authority Board of Directors supplemental sources of revenue such as outside jurisdiction housing fees have been sought and negotiated. In addition, we are beginning to realize the benefits of the Honeywell ESCO energy project, with guaranteed energy efficiency savings carrying forward into the future. Finally, special acknowledgement is extended to the BRRJA employees whose continued dedication and commitment contributed to our stable financial condition.

**ADOPTION OF GASB STATEMENT NO. 75**

In 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The overall effect of this new standard is to reflect the Authority's long-term other postretirement benefit ("OPEB") obligations directly in the financial statements. Under previous accounting guidance, these amounts were recorded incrementally over time, but were not recognized in their entirety. Instead, the total liability which has now been recorded, was only disclosed. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the Authority record a net OPEB liability directly on the statement of net position. Beginning net position has been restated as discussed in Note 14, and this has had a significant impact on the Authority's net position. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information regarding the Authority, contact the Director of Administration at 510 Ninth Street, Lynchburg, Virginia 24504.

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# **BASIC FINANCIAL STATEMENTS**

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**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**STATEMENT OF NET POSITION**  
**June 30, 2018**

	<b>Major Fund</b>	<b>Nonmajor Fund</b>	<b>Total</b>
	<b>Operating Fund</b>	<b>Canteen Fund</b>	<b>Business-Type Activities</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 15,301,030	\$ 598,879	\$ 15,899,909
Investments (Note 2)	5,102,791	-	5,102,791
Accounts receivable (Note 3)	2,135,429	-	2,135,429
Prepaid and other assets	5,000	-	5,000
Total current assets	22,544,250	598,879	23,143,129
<b>NONCURRENT ASSETS</b>			
Cash and cash equivalents, restricted (Note 2)	4,682,721	-	4,682,721
Net pension asset (Note 6)	621,166	-	621,166
Capital assets:			
Nondepreciable (Note 4)	1,495,510	-	1,495,510
Depreciable, net (Note 4)	82,973,371	-	82,973,371
Total noncurrent assets	89,772,768	-	89,772,768
Total assets	112,317,018	598,879	112,915,897
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	75,731	-	75,731
Deferred outflows related to pensions (Note 6)	1,766,984	-	1,766,984
Deferred outflows related to other postemployment benefits (Note 7)	76,978	-	76,978
Total deferred outflows of resources	1,919,693	-	1,919,693
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	396,154	-	396,154
Due to member jurisdiction (Note 12)	558,088	-	558,088
Accrued liabilities	610,440	-	610,440
Compensated absences (Note 5)	1,358,050	-	1,358,050
Unearned revenue, current portion (Note 10)	746,455	-	746,455
Interest payable	599,785	-	599,785
Bonds payable, current portion (Note 5)	2,426,882	-	2,426,882
Total current liabilities	6,695,854	-	6,695,854
<b>NONCURRENT LIABILITIES</b>			
Unearned revenue, noncurrent portion (Note 10)	808,660	-	808,660
Other post-employment benefits (Notes 7 and 8)	1,443,640	-	1,443,640
Bonds payable, noncurrent portion (Note 5)	41,060,511	-	41,060,511
Total noncurrent liabilities	43,312,811	-	43,312,811
Total liabilities	50,008,665	-	50,008,665
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions (Note 6)	1,878,483	-	1,878,483
Deferred inflows related to other postemployment benefits (Note 7)	193,000	-	193,000
Total deferred outflows of resources	2,071,483	-	2,071,483
<b>COMMITMENTS AND CONTINGENCIES (Note 12)</b>			
	-	-	-
<b>NET POSITION</b>			
Net investment in capital assets	41,057,219	-	41,057,219
Restricted for:			
Debt service	4,682,721	-	4,682,721
Canteen funds	-	598,879	598,879
Unrestricted	16,416,623	-	16,416,623
Total net position	\$ 62,156,563	\$ 598,879	\$ 62,755,442

The Notes to Financial Statements are an integral part of this statement.

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**Year Ended June 30, 2018**

	<u>Major Fund</u> <u>Operating Fund</u>	<u>Nonmajor Fund</u> <u>Canteen Fund</u>	<u>Total</u> <u>Business-Type</u> <u>Activities</u>
OPERATING REVENUES			
Charges for services – inmate housing	\$ 15,603,087	\$ -	\$ 15,603,087
State Compensation Board	14,580,149	-	14,580,149
Commonwealth of Virginia jail costs	2,361,052	-	2,361,052
Telephone commissions	728,733	-	728,733
Canteen sales	-	385,879	385,879
Miscellaneous operating income	659,704	-	659,704
	<hr/>	<hr/>	<hr/>
Total operating revenues	33,932,725	385,879	34,318,604
OPERATING EXPENSES			
Salaries and wages	15,098,527	-	15,098,527
Fringe benefits	4,637,146	-	4,637,146
Contractual services	1,098,684	-	1,098,684
Materials and supplies	204,476	-	204,476
Medical services and supplies	2,388,841	-	2,388,841
Food services and supplies	1,268,006	248,538	1,516,544
Repairs and maintenance	355,792	-	355,792
Utilities	1,521,872	-	1,521,872
Insurance	249,115	-	249,115
Depreciation	2,824,069	-	2,824,069
Other expenses	308,839	-	308,839
	<hr/>	<hr/>	<hr/>
Total operating expenses	29,955,367	248,538	30,203,905
	<hr/>	<hr/>	<hr/>
Operating income	3,977,358	137,341	4,114,699
NONOPERATING REVENUES (EXPENSES)			
Interest and investment income	169,836	-	169,836
Gain on sale of capital assets	20,731	-	20,731
Rental income	30,000	-	30,000
Bond interest subsidy	613,946	-	613,946
Interest expense	(2,307,081)	-	(2,307,081)
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues (expenses)	(1,472,568)	-	(1,472,568)
	<hr/>	<hr/>	<hr/>
Change in net position	2,504,790	137,341	2,642,131
NET POSITION, at July 1, as restated (Note 14)	59,651,773	461,538	60,113,311
	<hr/>	<hr/>	<hr/>
NET POSITION, at June 30	<u>\$ 62,156,563</u>	<u>\$ 598,879</u>	<u>\$ 62,755,442</u>

The Notes to Financial Statements are an integral part of this statement.

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2018**

	<u>Major Fund</u> <u>Operating Fund</u>	<u>Nonmajor Fund</u> <u>Canteen Fund</u>	<u>Total</u> <u>Business-Type</u> <u>Activities</u>
<b>OPERATING ACTIVITIES</b>			
Receipts from jurisdictions	\$ 15,851,794	\$ -	\$ 15,851,794
Receipts from state agencies	17,068,672	-	17,068,672
Receipts from inmates	664,218	-	664,218
Receipts from canteen sales	-	385,879	385,879
Payments to suppliers	(7,463,387)	(248,538)	(7,711,925)
Payments to and for employees	(20,291,700)	-	(20,291,700)
Net cash provided by operating activities	<u>5,829,597</u>	<u>137,341</u>	<u>5,966,938</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Other receipts	<u>30,000</u>	<u>-</u>	<u>30,000</u>
<b>CAPITAL AND RELATED FINANCING</b>			
Purchase of capital assets	(991,061)	-	(991,061)
Sale of capital assets	20,731	-	20,731
Principal paid on capital debt	(2,205,000)	-	(2,205,000)
Interest paid on capital debt	(2,448,570)	-	(2,448,570)
Bond interest subsidy	<u>613,946</u>	<u>-</u>	<u>613,946</u>
Net cash used in capital and related financing activities	<u>(5,009,954)</u>	<u>-</u>	<u>(5,009,954)</u>
<b>INVESTING ACTIVITIES</b>			
Interest and investment income received	<u>200,213</u>	<u>-</u>	<u>200,213</u>
Net increase in cash and cash equivalents	1,049,856	137,341	1,187,197
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning at July 1	<u>18,933,895</u>	<u>461,538</u>	<u>19,395,433</u>
Ending at June 30	<u>\$ 19,983,751</u>	<u>\$ 598,879</u>	<u>\$ 20,582,630</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>			
Cash and cash equivalents	\$ 15,301,030	\$ 598,879	\$ 15,899,909
Cash and cash equivalents, restricted	<u>4,682,721</u>	<u>-</u>	<u>4,682,721</u>
	<u>\$ 19,983,751</u>	<u>\$ 598,879</u>	<u>\$ 20,582,630</u>

The Notes to Financial Statements are an integral part of this statement.

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2018**

	<u>Major Fund</u> <u>Operating Fund</u>	<u>Nonmajor Fund</u> <u>Canteen Fund</u>	<u>Total</u> <u>Business-Type</u> <u>Activities</u>
<b>RECONCILIATION OF OPERATING</b>			
<b>INCOME TO NET CASH PROVIDED BY</b>			
<b>OPERATING ACTIVITIES</b>			
Operating income	\$ 3,977,358	\$ 137,341	\$ 4,114,699
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	2,824,069	-	2,824,069
Pension expense net of employer contribution	(552,956)	-	(552,956)
Other postemployment expense net of employer contribution	(63,690)	-	(63,690)
Changes in assets and liabilities:			
Accounts receivable	122,347	-	122,347
Accounts payable	(67,762)	-	(67,762)
Due to member jurisdiction	253,831	-	253,831
Accrued liabilities	26,732	-	26,732
Compensated absences	33,887	-	33,887
Unearned revenue	(724,219)	-	(724,219)
Net cash provided by operating activities	<u>\$ 5,829,597</u>	<u>\$ 137,341</u>	<u>\$ 5,966,938</u>

The Notes to Financial Statements are an integral part of this statement.

**BLUE RIDGE REGIONAL JAIL AUTHORITY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2018**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$     174,030
LIABILITIES	
Accounts payable	\$       55,787
Amounts held for inmates	92,908
Amounts held for employee benefits	<u>25,335</u>
Total liabilities	<u>\$     174,030</u>

## BLUE RIDGE REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 1. Summary of Significant Accounting Policies

##### Organization and purpose

The Blue Ridge Regional Jail Authority (the “Authority”) was created pursuant to the provisions of Chapter 7.1 of Title 53 of the *Code of Virginia*. Its member localities include the City of Lynchburg and the Counties of Amherst, Appomattox, Bedford, Campbell, and Halifax.

##### Reporting entity

The Authority has determined that it is a related organization to the participating localities, in accordance with Governmental Accounting Standards Board (GASB) Statement 14. The Authority is a legally separate organization whose twelve Board members are appointed by the governing bodies of the participating localities. None of the participating localities can impose its will on the Authority and there is no potential financial benefit or burden in the relationship between the participating localities and the Authority. Accordingly, the Authority is not considered a component unit of any of the participating localities. The Board members from each locality consist of the local Sheriff and an individual appointed by the governing body of each jurisdiction.

##### Measurement focus and basis of accounting

Business-type activities and proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) and deferred outflows/inflows of resources are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority reports one major proprietary fund, the Operating Fund. This fund is used to account for the activities necessary for operating the jail facility. This fund does not account for funds collected from or held for inmates. The nonmajor Canteen Fund accounts for inmate charges related to commissary purchases.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority are charges for services for inmate housing, fees collected from inmates, and revenue from the State Compensation Board. Operating expenses include salaries, wages and fringe benefits, medical services and supplies, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Basis of accounting (Continued)

Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Inmate Trust Fund, Employee Benefit Fund, and Flexible Benefit Fund comprise the Authority's Agency Funds. The Inmate Trust Fund accounts for funds held on behalf of the inmates housed at the various sites. The Employee Benefit and Flexible Benefit Funds are held for the benefit of employees, funded by payroll deductions. The Employee Benefit Fund is used to boost employee morale. The Flexible Benefits Fund is used to reimburse participating employees for claims incurred through their Section 125 Cafeteria Plan account.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, checking and savings accounts, and short-term, highly liquid investments (including repurchase agreements) with original maturities of three months or less. The Authority maintains cash accounts with financial institutions in accordance with the Virginia Security for Public Deposits Act of the *Code of Virginia*. The Act requires financial institutions to meet specific collateralization requirements.

#### Investments

Money market investments, nonnegotiable certificates of deposit (CDs), and external investment pools are measured at amortized cost. All other investments are reported at fair value.

#### Capital assets

Capital assets are recorded at cost. Donated capital assets are recorded at acquisition value at the date of gift. The Authority's capitalization threshold is \$5,000. Items below this threshold are expensed in the period acquired. Maintenance and repairs which do not increase the capacity or efficiency of the item or extend its useful life are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Costs of construction include legal and other related acquisition costs plus interest costs less interest earned on construction funds during the period of construction.

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.

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

Buildings and improvements	40-50 years
Land and site improvements	10-15 years
Equipment, furniture, and fixtures	5-10 years
Vehicles	5 years

(Continued)

## BLUE RIDGE REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Deferred outflows/inflows of resources

In addition to assets, the statement that presents financial position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. The Authority has the following items that qualify for reporting in this category:

- Deferred loss on refunding. A deferred loss 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. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.

In additions to liabilities, the statement that presents financial position reports a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until then. The Authority has the following items that qualify for reporting in this category:

- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in assumptions on pension plan and OPEB investments. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan.
- Changes in proportionate share between measurement dates on OPEB liability. This difference will be recognized in OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan.

##### Compensated absences

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

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Compensated absences (Continued)

Employees terminating their employment are paid, by the Authority, their accumulated annual leave up to the maximum limit. Employees may accumulate an unlimited amount of sick leave, which is forfeited upon separation from the Authority, except when separation is result of retirement. Employees who retire with at least five years of consecutive service to the Authority are compensated for up to \$1,500 of unused sick and those with at least ten years of consecutive service up to \$2,500.

#### Pensions and other postemployment benefits (OPEB)

For purposes of measuring all financial statement elements related to VRS administered pension and OPEB plans, information about the fiduciary net position of the Authority's Plans and the additions to/deductions from the Authority's Plans' 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.

#### Bond premium

A premium of \$2,386,481 resulted from the issuance of debt in 2009 for the advance refunding of the balance of the original bonds used for permanent financing of the jail facilities. This premium is being amortized using the effective interest method over the remaining life of the refunded debt or approximately 13 years.

#### Deferred loss on refunding

The deferred loss on refunding resulting from the advance refunding and defeasance of the balance of the original bonds used for permanent financing of the jail facilities totaled \$597,666. This cost is being amortized using the effective interest method over the remaining life of the advance refunded debt or approximately 13 years. Amortization was \$38,953 for the year ended June 30, 2018.

#### Revenue recognition

Revenues for charges for services to participant localities are based on inmate days for each locality and are recorded when earned.

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

#### 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.

#### Changes in canteen fund presentation

The canteen fund was previously reported in the operating fund. This fund meets the definition of a separate nonmajor fund and is now reported separately from the operating fund.

(Continued)

## BLUE RIDGE REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Net position

Net position is the difference between assets, deferred outflows of resources, 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. Net investment in capital assets excludes unspent debt proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Operating Fund amounts are restricted in accordance with the Master Indenture debt agreement. Restrictions on Canteen Fund net position are imposed by §53.1-127.1 of the *Code of Virginia*.

Unrestricted net position represents the remaining net position not included in the previous categories.

##### Unearned revenues

Unearned revenues represent a liability that arises when resources are obtained before revenue recognition criteria have been satisfied.

##### Fair value measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

#### Note 2. Deposits and Investments

##### Deposits

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

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 2. Deposits and Investments (Continued)

#### Investments

The Authority does not have a formal investment policy. However, the Authority does follow state law with regard to its investments.

State law authorizes the 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), and the Commonwealth of Virginia State Non-Arbitrage Program (SNAP).

As of June 30, 2018, the Authority’s deposits and investments consisted of the following:

Deposits	
Demand deposits	\$ 3,644,046
Money market	87,827
	<hr/>
Total deposits	3,731,873
	<hr/>
Investments	
LGIP	12,231,725
Negotiable certificates of deposit	1,294,334
Money market mutual funds	4,682,720
Corporate bonds and notes	3,744,769
	<hr/>
Total investments	21,953,548
	<hr/>
Total deposits and investments	\$ 25,685,421
	<hr/>

The Authority has no custodial credit risk policy. However, the Authority had no custodial credit risk related to its investments at June 30, 2018.

The Authority’s related debt investments as of June 30, 2018 were rated by Standard and Poor’s and the ratings are presented below:

	<u>AAAm</u>	<u>AA-</u>	<u>Unrated</u>	<u>Total</u>
LGIP	\$ 12,231,725	\$ -	\$ -	\$ 12,231,725
Negotiable certificates of deposit	-	-	1,294,334	1,294,334
Corporate bonds and notes	-	3,744,769	-	3,744,769
Money market mutual funds	4,682,720	-	87,827	4,770,547
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 16,914,445	\$ 3,744,769	\$ 1,382,161	\$ 22,041,375
	<hr/>	<hr/>	<hr/>	<hr/>

(Continued)

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 2. Deposits and Investments (Continued)**

Investments (Continued)

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

The Authority's investments' weighted average maturities are as follows:

	<u>Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
LGIP	\$ 12,231,725	\$ 12,231,725	\$ -
Negotiable certificates of deposit	1,294,334	-	1,294,334
Corporate bonds and notes	3,744,769	-	3,744,769
Money market mutual funds	4,682,720	4,682,720	-
Money market	87,827	87,827	-
	<u>\$ 22,041,375</u>	<u>\$ 17,002,272</u>	<u>\$ 5,039,103</u>

Fair Value Measurements

The Authority has recurring fair value measurements as of June 30, 2018. Those include corporate bonds and notes which are classified in Level 1 of the fair value hierarchy established by generally accepted accounting principles.

External investment pool and Money Market Mutual Funds

The value of the positions in the external investment pool (Local Government Investment Pool (LGIP)) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is reported at amortized cost under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Reconciliation of deposits and investments to the Statement of Net Position:

Cash and cash equivalents	\$ 15,899,909
Cash and cash equivalents, restricted	4,682,721
Investments	<u>5,102,791</u>
	<u>\$ 25,685,421</u>

The money market mutual funds are also carried at a stable \$1.00 net asset value, and thus reported at amortized cost.

Restricted cash and cash equivalents are for bond debt service as required by the bond trustee.

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 3. Accounts Receivable

Accounts receivable consist of the following:

Commonwealth of Virginia	
Department of Corrections	
Inmate per diem	\$ 794,157
Compensation Board – operating costs	1,226,873
Non-member per diems (including federal)	114,399
	<u>\$ 2,135,429</u>

### Note 4. Capital Assets

A summary of changes in capital assets is as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 1,495,510	\$ -	\$ -	\$ 1,495,510
Capital assets, depreciated				
Land and site improvements	281,726	-	-	281,726
Buildings and improvements	107,988,981	280,634	-	108,269,615
Equipment, furniture, and fixtures	8,710,568	616,109	-	9,326,677
Vehicles	1,436,835	94,318	(69,321)	1,461,832
Total capital assets, depreciated	<u>118,418,110</u>	<u>991,061</u>	<u>(69,321)</u>	<u>119,339,850</u>
Less accumulated depreciation:				
Land and site improvements	(190,885)	(15,683)	-	(206,568)
Buildings and improvements	(24,845,521)	(2,413,613)	-	(27,259,134)
Equipment, furniture, and fixtures	(7,491,974)	(270,688)	-	(7,762,662)
Vehicles	(1,083,351)	(124,085)	69,321	(1,138,115)
Total accumulated depreciation	<u>(33,611,731)</u>	<u>(2,824,069)</u>	<u>69,321</u>	<u>(36,366,479)</u>
Net capital assets, depreciated	<u>84,806,379</u>	<u>(1,833,008)</u>	<u>-</u>	<u>82,973,371</u>
Total capital assets	<u>\$ 86,301,889</u>	<u>\$ (1,833,008)</u>	<u>\$ -</u>	<u>\$ 84,468,881</u>

### Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Revenue bonds	\$ 45,390,000	\$ -	\$ 2,205,000	\$ 43,185,000	\$ 2,300,000
Premium on bonds	457,932	-	155,539	302,393	126,882
Compensated absences	1,324,163	33,887	-	1,358,050	1,358,050
	<u>\$ 47,172,095</u>	<u>\$ 33,887</u>	<u>\$ 2,360,539</u>	<u>\$ 44,845,443</u>	<u>\$ 3,784,932</u>

(Continued)

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 5. Long-Term Liabilities (Continued)**

The amounts required to amortize bond principal and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Anticipated BAB Subsidy</u>	<u>Net Interest</u>
2019	\$ 2,300,000	\$ 2,351,701	\$ (658,388)	\$ 1,693,313
2020	2,400,000	2,246,364	(658,388)	1,587,976
2021	2,525,000	2,123,761	(658,388)	1,465,373
2022	2,660,000	1,990,895	(658,388)	1,332,507
2023	2,030,000	1,870,262	(640,467)	1,229,795
2024-2028	11,300,000	7,594,649	(2,625,427)	4,969,222
2029-2033	13,700,000	3,943,736	(1,351,137)	2,592,599
2034-2035	6,270,000	374,422	(128,278)	246,144
	<u>\$ 43,185,000</u>	<u>\$ 22,495,790</u>	<u>\$ (7,378,861)</u>	<u>\$ 15,116,929</u>

Bonds payable are as follows:

\$23,680,000 refunding revenue bonds, issued November 19, 2009 to finance construction of jail facilities, maturing in various annual installments through October 1, 2021, interest at rates from 4.15% to 5.2%	\$ 9,885,000
\$33,300,000 refunding revenue bonds, issued November 19, 2009 to finance construction of jail facilities, maturing in various annual installments ranging from \$2,030,000 to \$3,195,000 from October 1, 2022 through October 1, 2034, interest at rates from 5.17% to 5.915%	<u>33,300,000</u>
	43,185,000
Unamortized bond premium	<u>302,393</u>
Bonds payable, net	<u>\$ 43,487,393</u>

Net interest expense includes interest accruals and the amortization of the bond premium and deferred loss on refunding.

(Continued)

## BLUE RIDGE REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 6. Defined Benefit Pension Plan

##### Plan Description

All full-time, salaried permanent employees of the Blue Ridge Regional Jail Authority, (the “Political Subdivision”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is 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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are as follows:

**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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and 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. 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.
- **Retirement Contributions** – Employees contribute 5.00% 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.
- **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.

(Continued)

## BLUE RIDGE REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 6. Defined Benefit Pension Plan (Continued)

##### Plan Description (Continued)

##### Plan 1 (Continued)

- **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 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.
- **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.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – 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%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. 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.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
  - **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.

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 6. Defined Benefit Pension Plan (Continued)

#### Plan Description (Continued)

##### Plan 1 (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
  - **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.
    - 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.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.
- **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.

**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. Employees are eligible for 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. 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.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction.

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 6. Defined Benefit Pension Plan (Continued)

#### Plan Description (Continued)

##### Plan 2 (Continued)

- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – 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, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
  - **Eligibility** – Same as Plan 1.
  - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

**Hybrid Retirement Plan** – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. 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.

- **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 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 6. Defined Benefit Pension Plan (Continued)

#### Plan Description (Continued)

##### Hybrid Retirement Plan (Continued)

- **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. 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** – 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.
- **Creditable Service** –
  - **Defined Benefit Component** – 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.
  - **Defined Contributions Component** – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting** –
  - **Defined Benefit Component** – 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 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.
  - **Defined Contributions Component** – 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. 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.

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 6. Defined Benefit Pension Plan (Continued)

#### Plan Description (Continued)

##### Hybrid Retirement Plan (Continued)

- **Calculating the Benefit –**
  - **Defined Benefit Component** – See definition under Plan 1.
  - **Defined Contribution Component** – 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.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier** – 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. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age –**
  - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
  - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility –**
  - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility –**
  - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **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 2.
  - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 6. Defined Benefit Pension Plan (Continued)

#### Plan Description (Continued)

##### Hybrid Retirement Plan (Continued)

- **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. 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** –
  - **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.

#### 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:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	125
Inactive members:	
Vested inactive members	29
Non-vested inactive members	139
Inactive members active elsewhere in VRS	99
Total inactive members	267
Active members	400
Total covered employees	792

#### 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 5.00% 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.

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 6. Defined Benefit Pension Plan (Continued)

#### Contributions (Continued)

The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 12.05% of covered employee compensation. This rate was 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 the political subdivision were \$1,766,984 and \$1,731,911 for the years ended June 30, 2018 and June 30, 2017, respectively.

#### Net Pension Asset

The political subdivision's net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension 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 pension liability for General Employees in the Political Subdivision's 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	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

- \* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment 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: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 6. Defined Benefit Pension Plan (Continued)

#### Actuarial Assumptions (Continued)

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:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

#### 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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
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 for 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 rate of 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%.

(Continued)

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 6. Defined Benefit 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, 2016, the rate contributed by the employer for the Political Subdivision 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 Liability (Asset)**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
Balances at June 30, 2016	\$ 37,982,936	\$ 35,910,557	\$ 2,072,379
Changes for the year:			
Service cost	2,601,205	-	2,601,205
Interest	2,607,660	-	2,607,660
Differences between expected and actual experience	(746,552)	-	(746,552)
Assumption changes	(244,355)	-	(244,355)
Contributions – employer	-	1,731,911	(1,731,911)
Contributions – employee	-	726,473	(726,473)
Net investment income	-	4,481,614	(4,481,614)
Benefit payments, including refunds of employee contributions	(1,461,309)	(1,461,309)	-
Administrative expenses	-	(24,453)	24,453
Other changes	-	(4,042)	4,042
Net changes	2,756,649	5,450,194	(2,693,545)
Balances at June 30, 2017	\$ 40,739,585	\$ 41,360,751	\$ (621,166)

(Continued)

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 6. Defined Benefit Pension Plan (Continued)**

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

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

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
Political subdivision's net pension liability (asset)	\$ 5,300,547	\$ (621,166)	\$ (5,504,344)

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

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$1,214,042. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ 1,047,329
Change in assumptions	-	186,588
Net difference between projected and actual earnings on pension plan investments	-	644,566
Employer contributions subsequent to the measurement date	<u>1,766,984</u>	<u>-</u>
Total	<u>\$ 1,766,984</u>	<u>\$ 1,878,483</u>

(Continued)

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 6. Defined Benefit Pension Plan (Continued)**

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

The \$1,766,984 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as an increase in the Net Pension Asset in the 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 as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2019	\$ (749,205)
2020	(296,820)
2021	(391,784)
2022	(440,674)
2023	-
Thereafter	-

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans 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.

**Payables to the Pension Plan**

At June 30, 2018, \$220,493 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

**Note 7. Other Postemployment Benefits Liability – Virginia Retirement System Plan**

In addition to its participation in the pension plans offered through the Virginia Retirement System (VRS), the Authority also participates in the following other postemployment benefit plan, described as follows.

**Plan Description**

**Group Life Insurance Program**

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

(Continued)

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 7. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)**

**Plan Description (Continued)**

**Group Life Insurance Program (Continued)**

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 GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

**Contributions**

Contributions to the VRS OPEB program were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB program are as follows:

**Group Life Insurance Program**

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$76,978
June 30, 2017 Contribution	\$75,914

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

The net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 7. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

#### OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

##### Group Life Insurance Program

June 30, 2018 proportionate share of liability	\$	1,191,000
June 30, 2017 proportion		0.07915 %
June 30, 2016 proportion		0.08322 %
June 30, 2018 expense	\$	2,000

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to the deferred amount from changes in proportion.

##### Group Life Insurance Program

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 27,000
Change in assumptions	-	61,000
Net difference between projected and actual earnings		
on OPEB plan investments	-	45,000
Changes in proportion	-	60,000
Employer contributions subsequent to the measurement date	<u>76,978</u>	<u>-</u>
Total	<u>\$ 76,978</u>	<u>\$ 193,000</u>

The deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

##### Group Life Insurance Program

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2019	\$ (38,000)
2020	(38,000)
2021	(38,000)
2022	(38,000)
2023	(27,000)
Thereafter	(14,000)

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 7. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

#### Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Locality – hazardous duty employees	3.50 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI: 7.00%

- \* 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 6.

#### Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts for the VRS OPEB program are as follows (amounts expressed in thousands):

	<b>Group Life Insurance Program</b>
Total OPEB Liability	\$ 2,942,426
Plan fiduciary net position	1,437,586
Employers' net OPEB liability (asset)	1,504,840
Plan fiduciary net position as a percentage of total OPEB liability	48.86%

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

(Continued)

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 7. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)**

**Long-Term Expected Rate of Return**

**Group Life Insurance**

The long-term expected rate of return on VRS investments was determined as described in Note 6.

**Discount Rate**

The discount rate used to measure the GLI OPEB 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 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 employer for the OPEB liabilities 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 OPEB plans' 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 OPEB liability.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Authority, as well as what the Authority's net 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 discount rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
GLI Net OPEB liability	\$ 1,540,000	\$ 1,191,000	\$ 908,000

**OPEB Plan Fiduciary Net Position**

Information about the various VRS OPEB plan 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.

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 8. Other Post-Employment Benefits Liability – Local Plan

#### Plan Description

The Authority provides a retiree health insurance credit program that provides for a reimbursement for health insurance to its retired employees.

#### Benefits Provided

The Authority pays a health insurance credit up to \$45 per month to each employee with 15 years or more of service (including prior years of service with other jails or the Virginia Department of Corrections), or 5 years in the event of disability and the retiree must have retired after July 1, 2006. The monthly health insurance credit is a dollar amount for each year of service, up to a maximum of 30 years of service. It applies to the retiree portion of the premium only, and the health insurance credit cannot exceed the amount of the insurance premium paid. The maximum annual benefit is \$540. The payments are made until the death of the person covered. The plan is currently funded on a pay-as-you-go basis.

#### Employees Covered by Benefit Terms

As of the July 1, 2017 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	22
Active plan members	341
	<u>363</u>

#### Total OPEB Liability

The Authority's total OPEB liability of \$252,640 was measured as of June 30, 2018 and was determined based on an actuarial valuation performed as of July 1, 2017.

#### Actuarial Assumptions and Other Inputs

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

Salary increases, including inflation	2.00%
Mortality rates	Based on the RP-2000 combined healthy participant table projected 10 years using projection scale AA

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period through July 1, 2017.

(Continued)

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 8. Other Post-Employment Benefits Liability – Local Plan (Continued)**

**Changes in the Total OPEB Liability**

Balance at June 30, 2017	\$ 243,266
Changes for the year:	
Service cost	4,817
Interest cost	14,938
Benefit payments	<u>(10,381)</u>
Net changes	<u>9,374</u>
Balance at June 30, 2018	<u><u>\$ 252,640</u></u>

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

The following presents the total OPEB liability of the Local Plan of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.78%) or one percentage point higher (4.78%) than the current discount rate:

	<u><b>1.00% Decrease (2.78%)</b></u>	<u><b>Current Discount Rate (3.78%)</b></u>	<u><b>1.00% Increase (4.78%)</b></u>
Total OPEB liability	<u>\$ 270,502</u>	<u>\$ 252,640</u>	<u>\$ 238,265</u>

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

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$14,227. At June 30, 2018, the Authority did not have any deferred outflows of resources or deferred inflows of resources related to its local OPEB plan.

**Note 9. Risk Management**

The Authority contracts with the Virginia Association of Counties Group Self-Insurance Risk Pool (VACORP) for property, liability, automobile, Line of Duty Act, and worker's compensation. VACORP provides coverage and risk management expertise to local government entities throughout Virginia. VACORP is governed by a Supervisory Board that is comprised of pool members that have a common interest.

There have been no settlements which exceeded insurance coverage in the past three years. Unemployment insurance is fully self-insured. The Authority's liability is generally limited to insurance policy deductibles unless claims exceed policy amounts.

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 10. Unearned Revenue

In August 2015, the Authority entered into a contract with Securus Technologies for inmate telephone services. On August 21, 2015, the Authority received a payment net of management fees of \$3,732,276 representing 5 years of phone commissions, net of management fees to be charged over the five year period. The funds received were recorded in unearned revenue and will be recognized as revenue over the contract term. The unearned revenue balance at June 30, 2018 was \$1,555,115.

### Note 11. Lease Agreement

Effective July 1, 2000, the Authority entered into a lease agreement with the City of Lynchburg. The City's Sheriff's Department will lease office facilities for \$24,000 per year for 21 years from the Authority. The \$24,000 lease revenue is reported in nonoperating revenue.

Future rental payments to be received under this agreement are:

2019	\$	24,000
2020		24,000
2021		24,000
		<hr/>
	\$	<u>72,000</u>

### Note 12. Commitments and Contingencies

#### Contingencies

The Authority may be involved in potential litigation arising in the ordinary course of business. It is management's belief that any liability resulting from such litigation would not be material related to the Authority's financial position.

#### Due to other government

At June 30, 2018, the Authority was holding \$558,088 due to a member locality from prior and current years contributions that the locality elected to not have refunded. This amount due is based on the annual true-up of member contributions. Annual required contributions for each member locality are estimated based upon estimated inmate population by locality. Subsequent to each fiscal year end, each locality's contribution is revised based on actual inmate population by locality.

(Continued)

# BLUE RIDGE REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 13. Allocation of Unrestricted Net Position

At June 30, 2018, the Authority has allocated its unrestricted net position as follows:

Designated	
Operating reserve funds	\$ 4,993,705
Debt service reserve	316,451
Capital services	529,574
Unassigned	<u>10,576,893</u>
 Total unrestricted net position	 <u>\$ 16,416,623</u>

The Authority maintains a formal policy which provides guidance in establishing and maintaining reserves of net position. As of June 30, 2018 all reserve balances were in compliance with the stated policy.

### Note 14. Adoption of New Standard and Prior Period Restatement

In the current year, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard replaces the requirements of GASB Statement No. 45 as it relates to governments that provide postemployment benefits other than pensions. The new Statement requires governments providing defined benefit postemployment benefits to recognize the long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of other postemployment benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the plans are determined, and assumptions and methods used to calculate the liability. Additionally, beginning net position has been restated for corrections of prior year accounts payable.

The following is a summary of the restatements to net position, as applicable, resulting from the adoption of GASB Statement No. 75 and a correction to prior year accounts payable:

Net position July 1, 2017, as previously reported	\$ 61,562,053
Overstatement of prior year accounts payable	174,610
Recognition of other postemployment benefit related liabilities and related deferred outflows/inflows in accordance with GASB No. 75	<u>(1,623,352)</u>
Net position July 1, 2017, as restated	<u>\$ 60,113,311</u>

As described in Note 1, the canteen fund has been separately presented; beginning net position reclassified into the separate canteen fund was \$461,538.

(Continued)

## BLUE RIDGE REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 15. Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87**, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement 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 requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively.

The GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies the reporting for a majority equity interest in a legally separate organization.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Management has not determined the effects these new GASB Statements may have on future financial statements.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

	Plan Year Ending June 30,			
	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 2,601,205	\$ 2,558,425	\$ 2,497,987	\$ 2,450,436
Interest on total pension liability	2,607,660	2,398,797	2,162,432	1,922,890
Difference between expected and actual experience	(746,552)	(656,322)	(216,343)	-
Changes in assumptions	(244,355)	-	-	-
Benefit payments, including refunds of employee contributions	(1,461,309)	(1,172,989)	(961,865)	(940,731)
Net change in total pension liability	2,756,649	3,127,911	3,482,211	3,432,595
<b>Total pension liability – beginning</b>	<u>37,982,936</u>	<u>34,855,025</u>	<u>31,372,814</u>	<u>27,940,219</u>
<b>Total pension liability – ending</b>	<u>40,739,585</u>	<u>37,982,936</u>	<u>34,855,025</u>	<u>31,372,814</u>
<b>Plan Fiduciary Net Position</b>				
Contributions – employer	1,731,911	1,959,823	1,930,265	2,275,898
Contributions – employee	726,473	740,014	728,359	707,078
Net investment income	4,481,614	647,489	1,466,375	4,050,423
Benefit payments, including refunds of employee contributions	(1,461,309)	(1,172,989)	(961,865)	(940,731)
Administrative expenses	(24,453)	(20,026)	(18,075)	(19,905)
Other	(4,042)	(262)	(317)	213
Net change in plan fiduciary net position	5,450,194	2,154,049	3,144,742	6,072,976
<b>Plan fiduciary net position – beginning</b>	<u>35,910,557</u>	<u>33,756,508</u>	<u>30,611,766</u>	<u>24,538,790</u>
<b>Plan fiduciary net position – ending</b>	<u>41,360,751</u>	<u>35,910,557</u>	<u>33,756,508</u>	<u>30,611,766</u>
<b>Net pension liability (asset) – ending</b>	<u>\$ (621,166)</u>	<u>\$ 2,072,379</u>	<u>\$ 1,098,517</u>	<u>\$ 761,048</u>
Plan fiduciary net position as a percentage of total pension liability	<u>101.52%</u>	<u>94.54%</u>	<u>96.85%</u>	<u>97.57%</u>
Covered employee payroll	<u>\$ 14,446,030</u>	<u>\$ 14,859,114</u>	<u>\$ 14,601,097</u>	<u>\$ 14,182,865</u>
Net pension liability (asset) as a percentage of covered employee payroll	<u>-4.30%</u>	<u>13.95%</u>	<u>7.52%</u>	<u>5.37%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this statement.

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF PENSION CONTRIBUTIONS**

<b>Year Ended June 30,</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2018	\$ 1,766,984	\$ 1,766,984	\$ -	\$ 14,767,739	11.97 %
2017	1,731,911	1,731,911	-	14,446,030	11.99
2016	1,964,375	1,964,375	-	14,859,114	13.22
2015	1,930,265	1,930,265	-	14,601,097	13.22

This schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only four years of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the Authority's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS**

<b>Entity Fiscal Year Ended June 30,</b>	<b>Employer's Proportion of the Net OPEB Liability</b>	<b>Employer's Proportionate Share of the Net OPEB Liability</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
<b>Virginia Retirement System – Group Life Insurance</b>					
2018	0.08 %	\$ 1,191,000	\$ 14,446,030	8.24 %	48.86 %

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPEB CONTRIBUTIONS - VRS**

<b>Entity Fiscal Year Ended June 30,</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Virginia Retirement System - Group Life Insurance</b>					
2018	\$ 76,978	\$ 76,978	\$ -	\$ 14,767,739	0.52 %

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS – LOCAL PLAN  
June 30, 2018**

	<b>Plan Year 2018</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 4,817
Interest cost	14,938
Benefit payments	<u>(10,381)</u>
Net change in total OPEB liability	9,374
<b>Total OPEB liability – beginning</b>	<u>243,266</u>
<b>Total OPEB liability – ending</b>	<u>252,640</u>
<b>Plan Fiduciary Net Position</b>	
Contributions – employer	10,381
Benefit payments	<u>(10,381)</u>
Net change in plan fiduciary net position	-
<b>Plan fiduciary net position – beginning</b>	-
<b>Plan fiduciary net position – ending</b>	<u>-</u>
<b>Net OPEB liability – ending</b>	<u><u>\$ 252,640</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	<u><u>0%</u></u>
Covered payroll	<u><u>\$ 13,557,410</u></u>
Net OPEB liability as a percentage of covered payroll	<u><u>2%</u></u>

This schedule is intended to show information for 10 years. Since fiscal year 2018 is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this statement.

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF OPEB CONTRIBUTIONS – LOCAL PLAN**

**June 30, 2018**

<b>Entity Fiscal Year Ended June 30,</b>	<b>Actuarially Determined Employer Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Local Plan</b>					
2018	\$ 18,512	\$ 10,381	\$ 8,131	\$ 13,557,410	0.08 %

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

## **BLUE RIDGE REGIONAL JAIL AUTHORITY**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2018**

#### **Note 1. Changes of benefit terms**

##### Pension

There have been no actuarially material changes to the Virginia Retirement System (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 was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

##### Other Postemployment Benefits (OPEB)

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

#### **Note 2. 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:**

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

##### **Largest 10 –Hazardous Duty/Public Safety Employees:**

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates
- Applicable to: Pension, GLI OPEB, and LODA OPEB

(Continued)

## **BLUE RIDGE REGIONAL JAIL AUTHORITY**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2018**

#### **Note 2. Changes of assumptions**

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

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 15%
- Applicable to: Pension and GLI OPEB

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Applicable to: Pension, GLI OPEB, and LODA OPEB

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**OTHER  
SUPPLEMENTARY INFORMATION**

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**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS**  
**Year Ended June 30, 2018**

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2018</b>
<b>INMATE TRUST FUNDS</b>				
Assets				
Cash and cash equivalents	\$ 157,390	\$ 2,311,794	\$ 2,320,489	\$ 148,695
Liabilities				
Accounts payable	\$ 59,178	\$ 55,787	\$ 59,178	\$ 55,787
Amounts held for inmates	98,212	2,256,007	2,261,311	92,908
Total liabilities	\$ 157,390	\$ 2,311,794	\$ 2,320,489	\$ 148,695
<b>EMPLOYEE BENEFIT FUND</b>				
Assets				
Cash and cash equivalents	\$ 15,032	\$ 12,424	\$ 6,648	\$ 20,808
Liabilities				
Amounts held for employee benefits	\$ 15,032	\$ 12,424	\$ 6,648	\$ 20,808
<b>FLEXIBLE BENEFITS FUND</b>				
Assets				
Cash and cash equivalents	\$ 3,109	\$ 20,512	\$ 19,094	\$ 4,527
Liabilities				
Amounts held for employee benefits	\$ 3,109	\$ 20,512	\$ 19,094	\$ 4,527
<b>TOTALS</b>				
Assets				
Cash and cash equivalents	\$ 175,531	\$ 2,344,730	\$ 2,346,231	\$ 174,030
Liabilities				
Accounts payable	\$ 59,178	\$ 55,787	\$ 59,178	\$ 55,787
Amounts held for inmates	98,212	2,256,007	2,261,311	92,908
Amounts held for employee benefits	18,141	32,936	25,742	25,335
Total liabilities	\$ 175,531	\$ 2,344,730	\$ 2,346,231	\$ 174,030

## **COMPLIANCE SECTION**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To The Honorable Members of  
the Board of Directors  
Blue Ridge Regional Jail Authority  
Lynchburg, Virginia

We have audited, 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, the financial statements of the business-type activities, the major fund, and aggregate remaining fund information of the Blue Ridge Regional Jail Authority (the "Authority") as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 26, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying schedule of finding and response, we identified a certain deficiency in internal control as Item 2018-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

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

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
October 26, 2018

## **BLUE RIDGE REGIONAL JAIL AUTHORITY**

### **SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2018**

As more fully described in the Independent Auditor's 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*, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants shown below:

#### **STATE COMPLIANCE MATTERS**

##### *Code of Virginia*

Cash and Investment Laws

Conflicts of Interest Act

Debt Provisions

Inmate Canteen Funds

Local Retirement Systems

Procurement Laws

Uniform Disposition of Unclaimed Property Act

**BLUE RIDGE REGIONAL JAIL AUTHORITY**

**SCHEDULE OF FINDING AND RESPONSE**

**June 30, 2018**

**A. FINDING – FINANCIAL STATEMENT AUDIT**

**2018-001: Segregation of Duties (Significant Deficiency)**

*Condition:*

An important aspect of any internal control system is the segregation of duties. Not all duties at the Authority related to payroll, journal entries, and wire transfers have been adequately segregated. In an ideal system, no individual would perform more than one duty in connection with any transaction or series of transactions. With limited staff, sufficiently separating duties can be difficult or even impossible. As with all areas of internal control, management and those charged with governance should make careful decisions about the cost versus benefit of any internal control.

*Recommendation:*

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

*Management's Response:*

In fiscal year 2019, the Authority has implemented controls to address certain deficiencies. All journal entries are now approved by the administrator, and wire transfers can be initiated by the director of administrative services but must be approved by the assistant administrator.